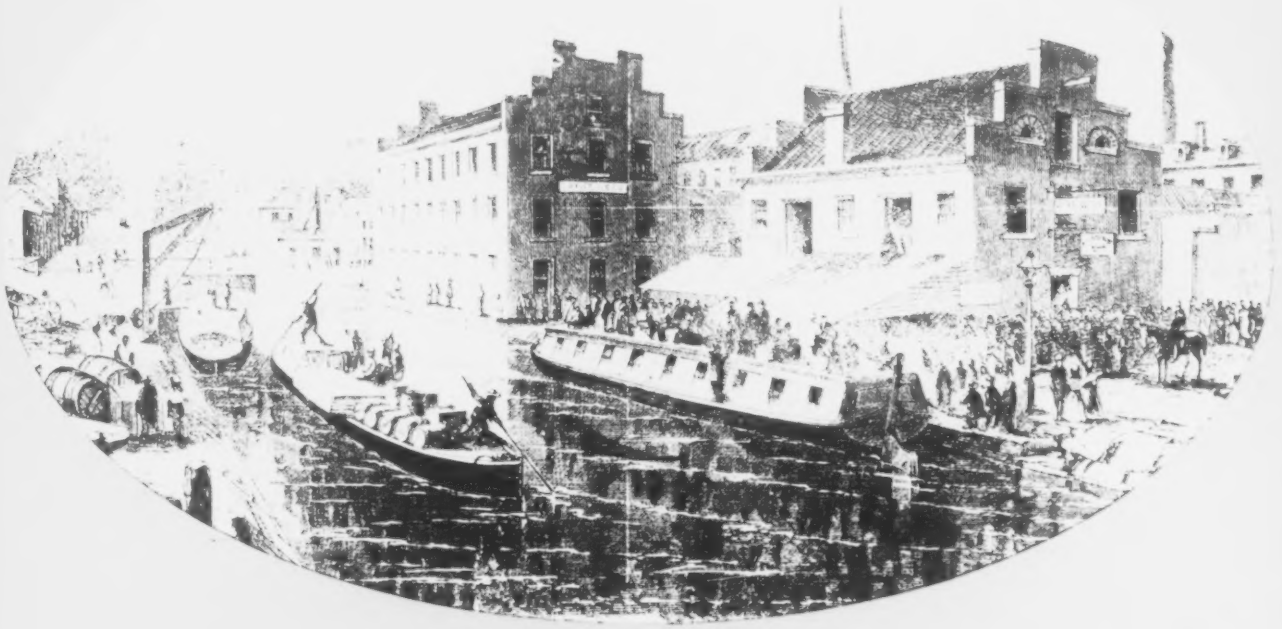
Report of the Comptroller A Comprehensive Annual Financial Report for the Year Ended June 30, 1987

VIRGINIA

S8170-1-4(A)

Pictorial Theme of Report: "1987—Year of International Trade"



During the 1600's, Virginia's interlacing rivers served as the highways for exporting tobacco, corn, and wheat to Great Britain and the West Indies.

By the 1700's, larger ships required larger harbors making Norfolk the center of shipping with satellite ports at Alexandria, Petersburg, Hampton, and Richmond.

By the 1800's, Virginia's water transportation system included a network of canals to help farmers deliver their products to the harbors for export.

Today, 380 years after the first permanent European settlement in the New World, Virginia's automated ports, super-highways, and expansive airports transport soybeans and peanuts, apples and lumber, softshell crabs and clams, and trucks and electrical generators to and from markets throughout the world.

Virginia's commercial airports, such as Washington Dulles International Airport that is located in Northern Virginia, link tourists, exchange students, business people, and other travelers with cities all over the globe and serve as gateways for international visitors to the Commonwealth. Washington Dulles International Airport, whose terminal is pictured on the cover of this report, serves over 10 million passengers a year and is one of the fastest growing airports in the nation.

Virginia's commercial relationship with the world, founded on historical precedent and still very evident today, has become a special point of focus for Virginia's Governor, Gerald L. Baliles, who proclaimed 1987 as the Year of International Trade.

Three foreign trade missions during the year and a series of new and enhanced programs announced in 1987 support Virginia's expanding role in the international marketplace.

Photographs depicting Virginia's international trade activity and the Governor's leadership during the Year of International Trade form the pictorial theme for this year's Comprehensive Annual Financial Report of the Comptroller. This pictorial theme is amplified by a Special Report on Virginia's International Trade that is presented immediately following the section on The Virginia Economy.

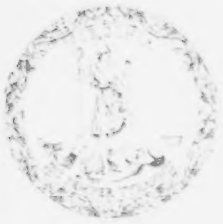
Commonwealth of Virginia

Report of the Comptroller to the Governor of Virginia— A Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 1987

Gerald L. Baliles
Governor

Stuart W. Connock
Secretary of Finance

Edward J. Mazur
Comptroller



Prepared by: The Department of Accounts

Design and graphics by: The Office of Graphic Communications,
Virginia Department of General Services

Photographs provided by:
CSX Corporation
Washington Dulles International Airport
Norfolk International Airport
Philip Morris, U.S.A.
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Additional copies of this report may be obtained from the Comptroller,
Commonwealth of Virginia, P.O. Box 6-N, Richmond, Virginia 23215.

—VIRGINIA DEPARTMENT OF ECONOMIC DEVELOPMENT

Governor Gerald L. Baliles greets Helmut Schmidt, former Chancellor of West Germany, upon his arrival at Washington Dulles International Airport. The Chancellor's visit marked Lufthansa's inaugural flight from Frankfurt, Germany to Virginia.

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Office of the Comptroller

Edward J. Mazur, C.P.A.
Comptroller

P.O. Box 6-N
Richmond, Virginia 23215

December 15, 1987

The Honorable Gerald L. Baliles
Governor of the Commonwealth of Virginia
State Capitol
Richmond, Virginia

Dear Governor Baliles:

I am pleased to submit to you my report on the financial condition of the Commonwealth of Virginia for the fiscal year ended June 30, 1987, in compliance with the provisions of Section 2.1-207 of the *Code of Virginia*. This report includes the financial statements of the Commonwealth, as well as other disclosures necessary to accurately present the Commonwealth's financial position and results of operations. This comprehensive annual financial report has been prepared in conformance with generally accepted accounting principles, as established by the Governmental Accounting Standards Board (GASB), and has earned an unqualified audit opinion. As in recent years, it will be submitted to the Government Finance Officers Association to determine its eligibility for the Certificate of Achievement for Excellence in Financial Reporting.

As further elaborated within the body of this letter, my report presents the performance of the Commonwealth on both the cash and the modified accrual bases of accounting. Under the cash basis, which is the basis we use for developing our budgets and for controlling daily activities, our performance resulted in a General Fund surplus of $138.0 million and a total balance in the General Fund of $450.9 million at June 30, 1987. Under the modified accrual basis, which we employ in order to conform with financial reporting standards for governments and to meet the information needs of the financial community, our performance resulted in a total General Fund balance of $256.6 million.

The performance of the Commonwealth on a cash basis indicates that we continue in our ability to maintain adequate and appropriate balances necessary to support the complex operations of State government, and, further, that we continue in our ability to adequately anticipate incoming financial resources and to control expenditures. The Commonwealth's sustained ability to present its financial performance on a modified accrual basis demonstrates both a maturity in the application of financial accounting policies and techniques as well as a strong commitment to the financial community, who purchase the Commonwealth's bonds, that they will be provided with objective information concerning the condition of the Commonwealth. It is this combination of sound balances on a cash basis together with a thoroughness of disclosure that assists the Commonwealth in maintaining its "triple A" bond rating.

Management's Responsibilities

This report has been prepared by the Department of Accounts, whose management is reponsible for the integrity and objectivity of the financial statements and other information presented herein. Responsibility for the accuracy of the data presented, completeness and fairness of presentation, including all disclosures, rests with the Department of Accounts. The financial statements are considered by management to present fairly the Commonwealth's financial position,

results of operations, and changes in fund balances. I believe the data presented is accurate in all material respects and that all disclosures necessary to enable the reader to obtain a thorough understanding of the Commonwealth's financial activities have been included.

In part, the basis for these conclusions relates to our assessment of the internal controls operating within the Commonwealth. The establishment of such internal controls requires estimates and judgments from management so that, in attaining reasonable assurance as to the adequacy of such controls, the cost of controls should not exceed the benefits obtained. I believe the Commonwealth's internal accounting controls adequately safeguard its assets and provide reasonable assurance as to the proper recording of financial transactions.

General Fund Condition—Budgetary Basis

The General Fund is an important point of focus in determining the overall financial condition of the Commonwealth. Virginia uses the cash basis of accounting for budgetary purposes. Under this basis, revenues and expenditures are recorded at the time cash is actually received or disbursed in accordance with the provisions of the Appropriations Act. This basis of accounting is widely accepted for budget purposes and has been used in Virginia for many years. My report includes statements and schedules that present the financial activity of the General Fund of the Commonwealth on a cash basis.

Figure 1 illustrates the fund balances of the General Fund at the end of each fiscal year since June 30, 1983, and highlights the undesignated portion. The undesignated portion denotes the surplus that existed at the end of each fiscal year.

Figure 2 illustrates the General Fund activity as planned by the General Assembly and as recorded in Chapter 643, Acts of Assembly and later revised by Chapter 723. The budgeted amounts for capital outlay include $111.4 million in reappropriations from prior years, plus $205.2 million in additional capital outlays authorized by Chapter 723. The development and approval of the biennial budget is, in essence, the beginning of the financial transaction process. After approval of the budget by the General Assembly, budgetary control is maintained by a formal appropriation and allotment system. The budgeted amounts reflected in the accompanying financial statements represent summaries of departmental or agency budgets by "program."

Figure 3 illustrates the Governor's actions to stay within the limits of appropriations made by the General Assembly. The analysis of budget versus actual performance is derived from the statement in this report entitled, "Combined Statement of Revenues, Expenditures, and Changes in Fund Balances—Budget and Actual—Budgetary Basis—General and Special Revenue Funds." As Figure 3 indicates, the Commonwealth received $164.9 million more in revenues, ABC profits, and Appropriations Act transfers than planned. The increased revenues and reduced expenditures resulted in $430.3 million more than planned being added to the fund balance of the General Fund.

General Fund Condition—Modified Accrual Basis

Although the Commonwealth budgets and manages its financial affairs on the accepted cash basis of accounting, the nation's financial community has encouraged states to also include, in their annual re-

Fig. 1 **General Fund Balance—Cash Basis—Highlighting the Undesignated Fund Balance**

(Dollars in Millions)

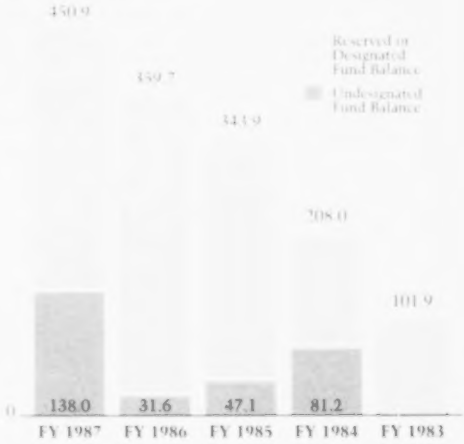


Fig. 2 **Analysis of General Fund Budget**

(Dollars in Millions)

	Biennium	Biennium Breakdown	
		FY 1987	FY 1988
Beginning Fund Balance			
Operating	$ 177.2	$ 177.2	
Capital Outlay			
Reappropriations	111.4	111.4	
Total	288.6	288.6	$ 206.9
Estimated Revenues	9,393.2	4,508.6	4,884.6
Other Financing Sources	179.6	106.8	72.8
Total Available Funds	9,861.4	4,904.0	5,164.3
Appropriations (a)	9,543.1	4,599.8	4,943.3
Capital Outlay	316.6	97.3	219.3
Ending Fund Balance	$ 1.7	$ 206.9	$ 1.7

(a) Appropriations consist primarily of operating expenditures and transfers to the Higher Education Fund.

Fig. 3 **Analysis of Budget vs. Actual General Fund Activity (a)**

(Dollars in Millions)

	Budget	Actual	Variance Favorable (Unfavorable)
Fund Balance, July 1, 1986	$ 360.3	$ 360.3	$ —
Revenues, ABC Profits, and Appropriations Act Transfers	4,581.6	4,746.5	164.9
Expenditures and Other Uses	4,921.3	4,655.9	265.4
Net Effect on Fund Balance	(339.7)	90.6	430.3
Fund Balance, June 30, 1987	$ 20.6	$ 450.9	$ 430.3

(a) This budget analysis includes subsequent executive appropriations, reappropriations, and transfers which are not included in Figure 2, Analysis of General Fund Budget. For financial reporting purposes, capital construction is reported within the Capital Projects Fund, and therefore, is excluded from this analysis.

Fig. 4 **Summary of Accrued Receivables and Payables—General Fund**
(Dollars in Millions)

	FY 1987	FY 1986	Variance
Receivables and Accrued Revenues			
Transfer of 4th Quarter ABC Profits to General Fund	$ 6.4	$ 6.5	$ (0.1)
Accounts Receivable	7.8	5.0	2.8
Sales Taxes Receivable	110.1	95.4	14.7
Withheld Taxes Receivable	136.6	127.1	9.5
Other Taxes Receivable	32.5	21.3	11.2
Total Receivables	293.4	255.3	38.1
Payables and Accrued Expenditures			
Tax Refunds Payable	44.3	36.0	1.7
Deferred Credit	282.0	257.4	24.6
Accounts Payable	90.2	73.7	16.5
Sales Tax Due to Localities	70.8	68.8	2.0
ABC Profits Due to Localities	3.7	4.0	(0.3)
Other Payments Due to Localities	1.8	0.7	0.8
Due to Other Funds	5.2	18.8	(13.6)
Total Payables	487.7	459.4	28.3
Payables and Accrued Expenditures Over Receivables and Accrued Revenues	$ 194.3	$ 204.1	$ 9.8

ports, financial statements that are prepared on the modified accrual basis of accounting. This basis more adequately serves their analytical and other needs. As required under the modified accrual basis of accounting, these financial statements reflect certain receivables and accrued revenues, amounting to $293.4 million, and certain accounts payable and accrued expenditures, amounting to $487.7 million. Accounts payable and accrued expenditures exceeded receivables and accrued revenues by $194.3 million at year end. Receivables and accrued revenues increased $38.1 million over the prior year, primarily as a result of increases of $14.7 million in sales tax receivable and $11.2 million in other taxes receivable. Payables and accrued expenditures increased $28.3 million over the prior year, primarily as a result of increases of $24.6 in deferred credit and $16.5 million in accounts payable. This increase was offset somewhat by a $13.6 million decrease in Due to Other Funds. These items, which are illustrated in Figure 4, are transactions associated with the year ending June 30, 1987; however, the cash will not be received nor disbursed until fiscal year 1988.

Analysis of Revenues and Expenditures—Budgetary Basis

General Fund revenue (excluding ABC Profit and Appropriations Act Transfers) (Fig. 5) for the year ended June 30, 1987, was $4.7 billion, or 13.2% greater than the preceding year. The primary source of this increase was a $272 million increase in Individual Income Taxes. Revenue for the current year was 3.7% over the projected amount. As Figure 5 indicates, anticipated General Fund revenues for the upcoming fiscal year are expected to be approximately $4.9 billion, or 4.4% over fiscal year 1987.

General Fund expenditures (Fig. 8) for the current year were $3.8 billion, or 11.8% greater than the preceding year. The primary areas which comprise this increase were a $200 million increase in Education and a $75 million increase in Individual and Family Services expenditures.

Fig. 5 **Schedule of General Fund Revenue—Budgetary Basis**
For the Years Ended June 30, 1987, and 1986
(Dollars in Millions)[1]

	Actual			Budget		Projection	
	FY 1987	FY 1986	% FY 1987 Over (Under) FY 1986	FY 1987	% FY 1987 Actual Over (Under) Budget	FY 1988 Revenue Estimates[2]	% FY 1988 Estimates Over (Under) FY 1987 Actual
Individual Income Tax	$ 2,446	$ 2,174	12.5	$ 2,351	4.0	$ 2,608	6.6
Sales and Use Taxes	1,106	1,023	8.1	1,107	—	1,207	9.1
Corporation Income Tax	319	281	13.5	305	4.6	344	7.8
Public Service Corporations Tax	146	135	8.2	144	1.4	159	8.9
Premiums of Insurance Companies Tax	158	131	20.6	145	9.0	162	2.5
Other Taxes	261	219	19.2	240	8.8	253	(3.0)
Other Revenues	241	169	42.6	217	11.1	151	(37.4)
Total Revenue	$ 4,677	$ 4,132	13.2	$ 4,509	3.7	$ 4,884	4.4

[1] Revenues exclude transfers.
[2] FY 1988 revenue estimates are from the 1987 Appropriations Act. Estimates are subject to revision by the Administration, with the approval of the General Assembly.

For informational purposes, Figures 6 and 9 present the composition of the revenue dollar for the General Fund and for all activities of the government, respectively. In a similar manner, Figures 7 and 10 present the composition of the expenditure dollar for the General Fund and for all activities of the government, respectively. These presentations are intended to provide information regarding the sources and uses of dollars received.

Debt Administration

Virginia has traditionally received excellent bond ratings from both Moody's Investors Service and Standard & Poor's Corporation, reflecting our long-standing record of sound fiscal management, our diversified economic base, and low debt ratios. The Commonwealth funds substantial amounts of capital outlay expenditures from current revenues of the General Fund and from non-general fund sources each fiscal year and, accordingly, limits its issuance of bonded debt. A total of $415.7 million in bonds backed by the full faith and credit of the Commonwealth were outstanding at June 30, 1987. Of that amount, $343.4 million were being serviced from revenue-producing capital projects, primarily auxiliary enterprises of colleges and universities, and toll highways. Debt service payments on the balance of $72.3 million, will be funded from tax revenues. Principal and interest payments on this portion of the Commonwealth's long-term obligations were less than 0.3% of total General Fund expenditures in fiscal year 1987.

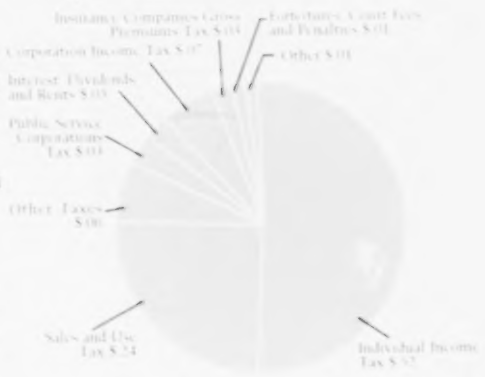
The General Fund, through direct appropriations, also contributes debt service payments to the Virginia Public Building Authority, the Virginia College Building Authority, and the Virginia Port Authority. Principal and interest payments, when coupled with general obligation payments mentioned above, were less than 1.0% of General Fund expenditures.

During fiscal year 1987, the Commonwealth issued $78 million in general obligation bonds to finance the Powhite Parkway Extension and $57.1 million to advance refund Transportation Facilities Bonds, Series 1982, used to refinance construction of the Dulles Toll Road. These bonds were rated "triple A" by both major rating agencies. In fiscal year 1988, the Commonwealth does not expect to issue any long-term general obligation bonds.

Investment of Available Cash

The Commonwealth pools all of its available cash into a general account from which it makes investments in a variety of instruments. The average daily invested balance for the year ended June 30, 1987, amounted to $897 million. This balance was invested as follows: 10% in Repurchase Agreements, 59% in U.S. Government and Agency Securities, 29% in Money Market Securities, and 2% in Time Deposits. Maturities for these investments ranged from one day to five years. For fiscal year 1986–1987, the average yield on investments was 8%, as compared to a yield of 9% during fiscal year 1985–1986. Total interest earned from available balances was $69.1 million. This represented a decrease of $14 million from the previous year. Notwithstanding this decrease, the investment program continues to perform well when compared with the 90 day U.S. Treasury bill rate and the Donohue's Money Market Fund Index.

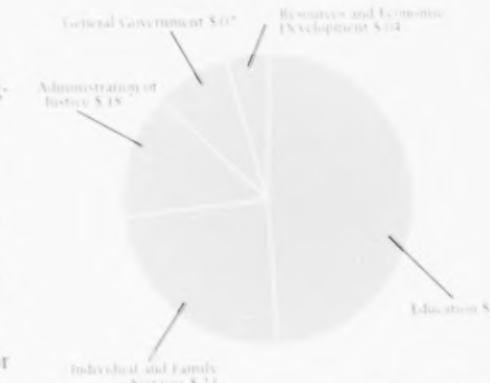
Fig. 6. **Revenue Dollar**
General Fund—Fiscal Year 1987
(Budgetary Basis)[1]


Insurance Companies Gross Premiums Tax $.03
Forfeitures, Court Fees and Penalties $.01
Corporation Income Tax $.07
Other $.01
Interest, Dividends and Rents $.03
Public Service Corporations Tax $.03
Other Taxes $.06
Sales and Use Tax $.24
Individual Income Tax $.52

	FY 1987	FY 1986
Individual Income Tax	$ .52	$ .52
Sales and Use Tax	.24	.25
Corporation Income Tax	.07	.07
Public Service Corporations Tax	.03	.03
Insurance Companies Gross Premiums Tax	.03	.03
Other Taxes	.06	.06
Interest, Dividends, and Rents	.03	.02
Forfeitures, Court Fees, and Penalties	.01	.01
Other	.01	.01
Total	$ 1.00	$ 1.00

[1]Revenues exclude transfers.

Fig. 7. **Expenditure Dollar**
General Fund—Fiscal Year 1987
(Budgetary Basis)

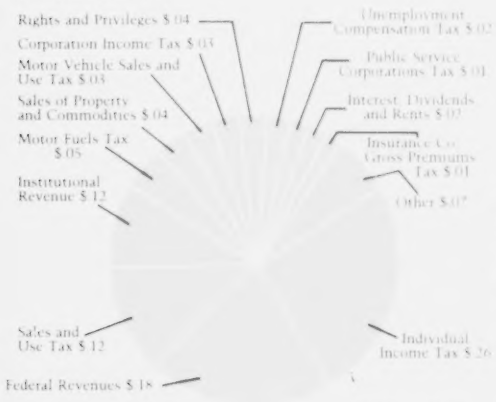


	FY 1987	FY 1986
Education	$ .48	$ .48
Individual and Family Services	.23	.23
Administration of Justice	.18	.18
General Government	.07	.07
Resources and Economic Development	.04	.04
Total	$ 1.00	$ 1.00

Fig. 8 **General Fund Expenditures By Function** (Budgetary Basis)
(Dollars in Millions)

	FY 1987	FY 1986	% Increase (Decrease)	FY 1987 % of Total
General Government	$ 271	$ 242	12.0	7.0
Education	1,851	1,651	12.1	48.2
Transportation	22	12	83.3	0.6
Resources and Economic Development	142	117	21.4	3.7
Individual and Family Services	874	799	9.4	22.7
Administration of Justice	683	617	10.7	17.8
Total Expenditures	$ 3,843	$ 3,438	11.8	100.0

Fig. 9 **Revenue Dollar**
All Funds—Fiscal Year 1987
(Budgetary Basis)[1]


Rights and Privileges $.04
Corporation Income Tax $.03
Motor Vehicle Sales and Use Tax $.03
Sales of Property and Commodities $.04
Motor Fuels Tax $.05
Institutional Revenue $.12
Unemployment Compensation Tax $.02
Public Service Corporations Tax $.01
Interest, Dividends and Rents $.02
Insurance Co. Gross Premiums Tax $.01
Other $.07
Sales and Use Tax $.12
Individual Income Tax $.26
Federal Revenues $.18

	FY 1987	FY 1986
Federal Revenues	$ .18	$ .20
Individual Income Tax	.26	.26
Sales and Use Tax	.12	.12
Institutional Revenue	.12	.12
Motor Fuels Tax	.05	.04
Sales of Property and Commodities	.04	.03
Corporation Income Tax	.03	.03
Rights and Privileges	.04	.04
Unemployment Compensation Tax	.02	.03
Public Service Corporations Tax	.01	.01
Interest, Dividends, and Rents	.02	.02
Insurance Co. Gross Premiums Tax	.01	.01
Motor Vehicle Sales and Use Tax	.03	.02
Other	.07	.07
Total	$ 1.00	$ 1.00

[1] Revenues include ABC Profit transfers, Appropriations Act transfers, and certain other transfers.

Reporting Entity

This report includes funds, account groups, and entities for which the Commonwealth exercises oversight authority. The National Council on Governmental Accounting (NCGA) Statement 3, "Defining the Governmental Reporting Entity," as recognized by GASB Statement 1, specifies the criteria used in the determination of oversight authority. The criteria for inclusion are determined on the basis of accountability for fiscal matters, selection of governing authority, scope of public service, and the ability to significantly influence operations. The inclusion of an organization in the general purpose financial statements in no way alters the defined prerogatives of the management of the organization, the organization's charter, statutory authority, or legal characteristics or conditions. The following organizations (component units) meet the oversight criteria established by NCGA Statement 3 and have been included in Commonwealth's financial statements:

- Virginia Housing Development Authority (VHDA)
- Virginia Education Loan Authority (VELA)
- Virginia International Terminals, Inc. (VIT)
- Virginia Resources Authority (VRA)
- State Education Assistance Authority (SEAA)
- Virginia Public School Authority (VPSA)
- Virgina Public Building Authority (VPBA)
- Center for Innovative Technology (CIT)

In addition, activity of the Virginia College Building Authority (VCBA) that relates to the financing of equipment purchases by State-supported colleges and universities is included in the financial statements. The Authority issues tax-free bonds to provide financial assistance to private institutions of higher education to finance capital construction. This indebtedness does not constitute a debt of the Authority or the Commonwealth and is not included in the financial statements.

The first six organizations, listed above, are included within the Enterprise Funds as Enterprise Funds—Public Benefit Corporations. These Public Benefit Corporations are public corporations empowered by the *Code of Virginia* to provide certain services to the citizens of the Commonwealth, but which are not agencies of the Commonwealth. Information detailing the financial activity of each Public Benefit Corporation appears in the Combining Fund Statements for Enterprise Funds. The VPBA and the CIT have been incorporated into the appropriate funds.

The Virginia Economy—Prospects for the Future

Following this letter of transmittal is an analysis of the Virginia Economy that will assist readers in understanding the past economic performance of the Commonwealth and prospects for the future. The analysis, which was developed by the Center for Public Service of the University of Virginia, should contribute to an appreciation of the essential strength of the Virginia Economy.

Independent Audit

In accordance with the provisions of Section 2.1-155 of the *Code of Virginia*, the Auditor of Public Accounts' opinion letter, covering his examination of the Commonwealth's financial statements for the year

ended June 30, 1987, is included herein. The Auditor's examination was conducted in accordance with generally accepted auditing standards. Special acknowledgment is given to the many professional contributions made by the staff of the Auditor of Public Accounts.

Certificate of Achievement

I am proud to report that the Government Finance Officers Association of the United States and Canada (GFOA) awarded the Certificate of Achievement for Excellence in Financial Reporting to the Commonwealth of Virginia for its Comprehensive Annual Financial Report for the year ended June 30, 1986. This was the first year that the Commonwealth received this award.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. I believe our current report continues to conform to the Certificate of Achievement Program requirements, and I am submitting it to GFOA to determine its eligibility for the certificate.

Having attained the highest level of conformance with generally accepted accounting principles, the Commonwealth of Virginia remains in the forefront of states that have successfully brought their financial reporting into full compliance with national standards. Maintaining a progressive position in the financial reporting area is consistent with our objective of providing the users of our financial statements, including those in the investment community, with a complete disclosure of financial position. It is also consistent with our objective of improving the ability of the State's senior management to evaluate the financial condition of the Commonwealth.

Acknowledgments

I wish to express my sincere appreciation to the many individuals whose dedicated efforts have made this report possible. The preparation of this report could not have been accomplished without the professionalism and dedication demonstrated by financial and management personnel within the Department of Accounts, Department of the Treasury, Department of Planning and Budget, Department of Taxation, Office of Graphic Communications, and numerous other State agencies.

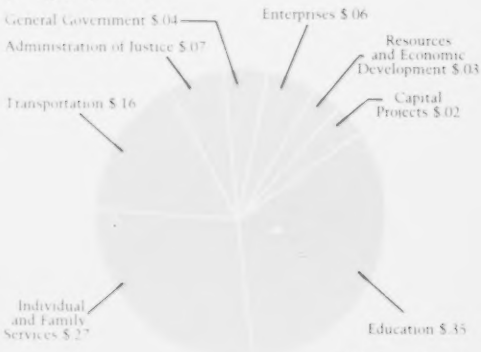
This comprehensive annual financial report reflects my commitment to you, to the citizens of the Commonwealth, and to the financial community to maintain our financial statements in conformance with the highest standards of financial accountability.

Respectfully submitted,

Edward J. Mazur

Edward J. Mazur
Comptroller of the Commonwealth of Virginia

Fig. 10 **Expenditure Dollar**
All Funds—Fiscal Year 1987
(Budgetary Basis)



	FY 1987	FY 1986
Education	$ .35	$ .35
Individual and Family Services	.27	.28
Transportation	.16	.16
Administration of Justice	.07	.07
Enterprises	.06	.06
General Government	.04	.03
Capital Projects	.02	.02
Resources and Economic Development	.03	.03
Total	$ 1.00	$ 1.00

—VIRGINIA DEPARTMENT OF ECONOMIC DEVELOPMENT

Governor Gerald L. Baliles addresses the Eleventh Annual Meeting of the Southeast United States/Japan Association held October 1986, in Hot Springs, Virginia.

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Commonwealth of Virginia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 1986

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to governmental units and public employee retirement systems whose comprehensive annual financial reports (CAFR's) are judged to substantially conform to program standards.

Betty Jo Harker
President

Jeffrey L. Esser
Executive Director

The Virginia Economy

The condition of the economy has a direct impact on State government's financial health. This section of the report contains information developed by the Business and Economics Section of the Center for Public Service at the University of Virginia and provides the reader with a brief review of the Commonwealth's economic performance in relation to the nation's during the past five years. The analysis and related graphs report information for the period from 1982 to 1986, and whenever possible, for early 1987.

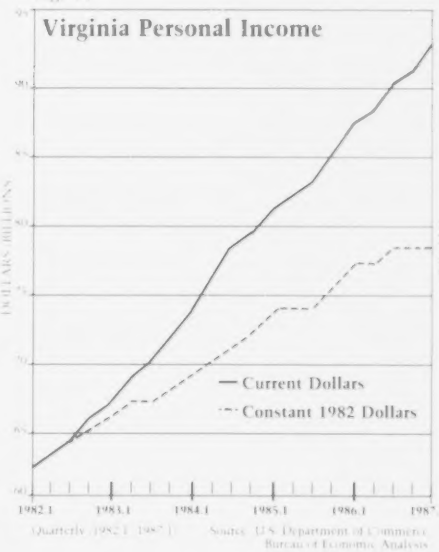
The nation was in a deep recession in 1982. In 1982, real gross national product (GNP), a broad measure of the nation's output adjusted for inflation, fell at an annual rate of −2.1%. In the economic recovery that began in the fourth quarter of that year, real GNP grew at an annual rate of 4.1% through the fourth quarter of 1986. Although the recovery appeared stalled in 1986, GNP grew at a 3.5% rate in the first two quarters of 1987.

Although the national economy influences Virginia's economy, the State was in better shape than the nation as a whole during the last part of the 1981–82 recession. Virginia personal income in both current and inflation-adjusted dollars rose steadily over the last five years (Fig. 11). Virginia's share of national personal income (Fig. 12) increased almost steadily during the same period, indicating that Virginia continues to outperform the U.S.

The per capita income figures (Fig. 13) reflect the strong growth in Virginia's personal income. In 1982, Virginia's per capita personal income slightly exceeded the nation's and has climbed higher since then. Virginia's 1986 per capita personal income was $15,408, compared to $14,641 for the nation and $14,086 for the South Atlantic region.[1] On a percentage basis, Virginia's 1986 per capita personal income was 105.2% of the national average and 109.4% of the South Atlantic figure. The State ranked eleventh in the nation and third in the South Atlantic region (behind the District of Columbia and Maryland).

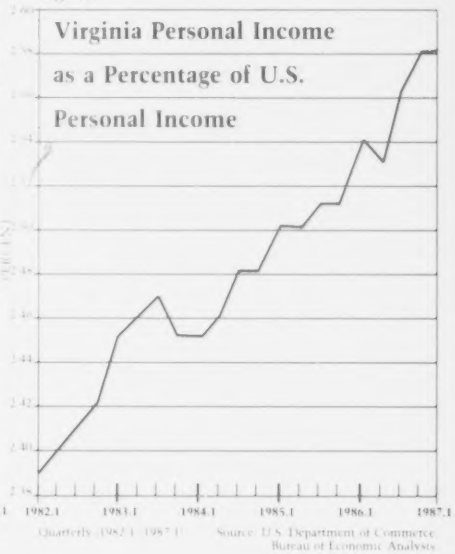
The period from 1982 to early 1987 was marked by low inflation. The growth in prices, as measured by both the Consumer and Producer Price Indices, has been moderate compared to the late 1970s and early 1980s. The drop-off in in-

Fig. 11



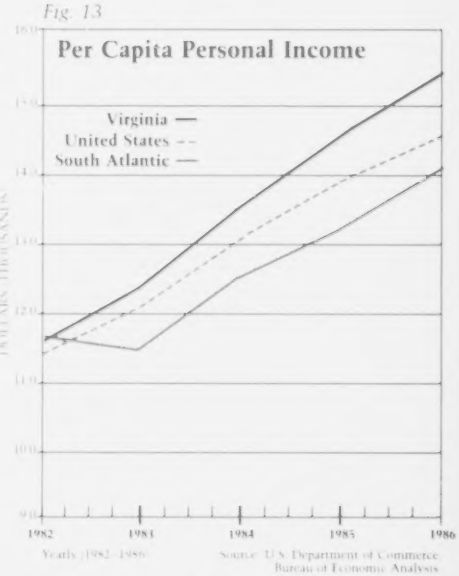
Quarterly (1982.1–1987.1) Source: U.S. Department of Commerce, Bureau of Economic Analysis

Fig. 12



Quarterly (1982.1–1987.1) Source: U.S. Department of Commerce, Bureau of Economic Analysis

Fig. 13



Yearly (1982–1986) Source: U.S. Department of Commerce, Bureau of Economic Analysis

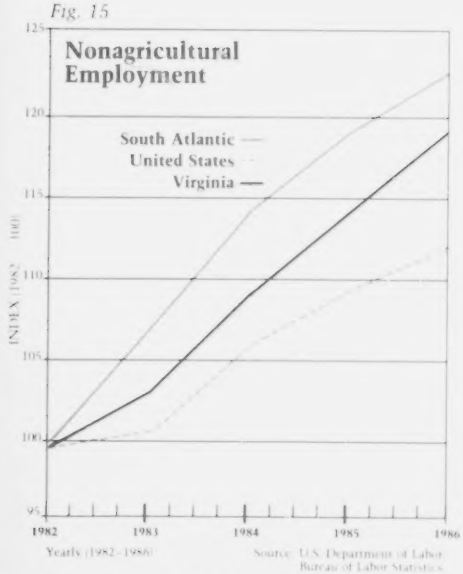
Fig. 14

Virginia Nonagricultural Wage and Salary Employment

Industry Group	Employment (In Thousands of Employees) 1982	1983	1984	1985	1986
Manufacturing	397.2	403.6	421.3	423.4	424.2
Mining	22.1	17.4	18.3	17.3	16.4
Construction	103.8	113.9	132.8	152.0	168.1
Transportation and Public Utilities	119.0	120.4	127.2	137.3	137.3
Wholesale and Retail Trade	462.4	480.2	516.5	547.0	580.2
Finance, Insurance and Real Estate	106.9	110.1	117.1	122.8	130.8
Services	434.8	460.4	495.1	544.7	579.0
Federal Government	160.7	162.9	166.0	168.1	168.0
State Government	120.9	120.1	119.9	122.7	123.8
Local Government	218.5	217.9	219.0	224.8	229.2
Total	2,146.3	2,206.9	2,333.2	2,460.1	2,557.0

Source: Virginia Department of Labor and Industry

Fig. 15



flation has also been accompanied by lower interest rates. The prime rate, which stood at over 16% early in 1982, was cut in half by mid-1987.

Virginia's nonagricultural wage and salary employment (Fig. 14) increased by 410,700 from 1982 to 1986. In relative terms, the 19.1% gain from 1982 to 1986 greatly exceeded the national increase of 11.8%, but fell short of the 22.8% gain made by the South Atlantic region (Fig. 15). Among the major industries in Virginia, the largest percentage increase in employment during the five-year period was in the construction sector (Fig. 16). Most of that growth occurred in 1985 and 1986, probably as a result of lower interest rates. Strong gains were also shown in the services, wholesale and retail trade, and finance, insurance, and real estate sectors.

Manufacturing and transportation and public utilities had modest employment gains during the five-year period. Federal, state, and local government employment held virtually constant, and mining employment declined sharply.

Among Virginia's metropolitan areas, employment growth was strongest from 1982 to 1986 in the Northern Virginia area, with employment gains of almost 35% (Fig. 17). Gains of 10 to 20% were found in Bristol, Charlottesville, Norfolk-Virginia Beach-Newport News, Richmond-Petersburg, and Roanoke. Lynchburg had modest employment increases. Danville had almost no gain, reflecting the dominance in the area of the beleaguered textile apparel industry. Because of the relative importance of Northern Virginia, employment growth among all metropolitan areas averaged 21%, versus 13.7% for the nonmetropolitan areas.

From 1982 to the second quarter of 1987, Virginia's unemployment rate (Fig. 18) fell to 4.8% from a high of 7.9%. Although the Virginia unemployment rate followed a pattern similar to that of the national rate, it was consistently at least 20% lower than the national average.

The number of Virginia private residential building permits (Fig. 19) is a good leading indicator of the health of the economy. This number declined before the end of the recession and then increased dramatically until the 1986 second quarter. Recently, the issuance of building permits has dropped off in

Virginia. Although Virginia building permits rose at a much higher rate than for the U.S., nationwide building permits have not fallen as sharply in recent times.

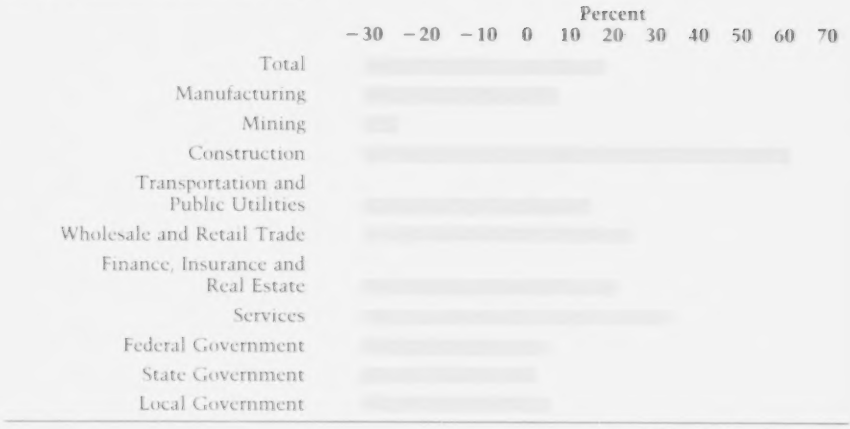
Taxable sales under the Virginia sales and use tax are a fairly good proxy for retail sales. They grew from $5.4 billion in the first quarter of 1982 to $8.9 billion in the first quarter of 1987 (Fig. 20). Once adjustments are made for price increases, there was still an increase measured in 1982 dollars, from $5.4 billion to $7.5 billion.

In summary, a review of the Virginia economy for the past five years indicates that economic activity in the Commonwealth has echoed national trends but with more vigor. Virginia's economy, still influenced by the end of the national recession in November of 1982, continues to grow. The current national expansion is already the third longest expansion since the beginning of business cycle research 133 years ago. The economic outlook for Virginia largely depends on the same factors that cloud the national outlook—the large federal deficit, higher interest rates, and an adverse balance of payments.

[1]The South Atlantic region includes the states of Delaware, Florida, Georgia, Maryland, North Carolina, South Carolina, Virginia, West Virginia, and the District of Columbia.

Fig. 16

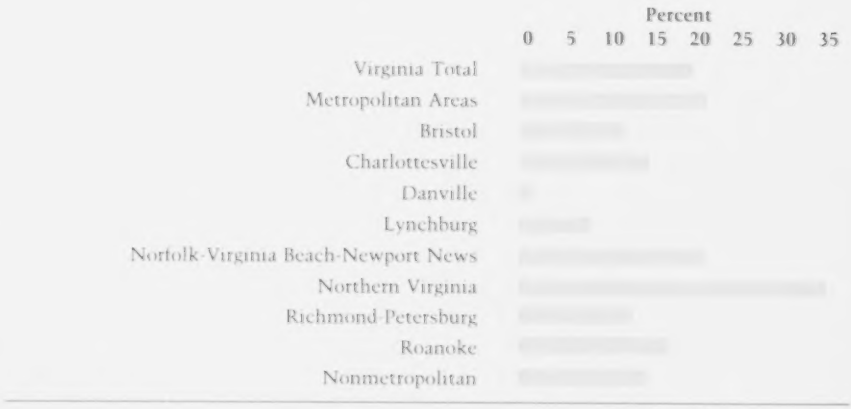
Percentage Change in Nonagricultural Employment, 1982 to 1986



Source: Virginia Employment Commission

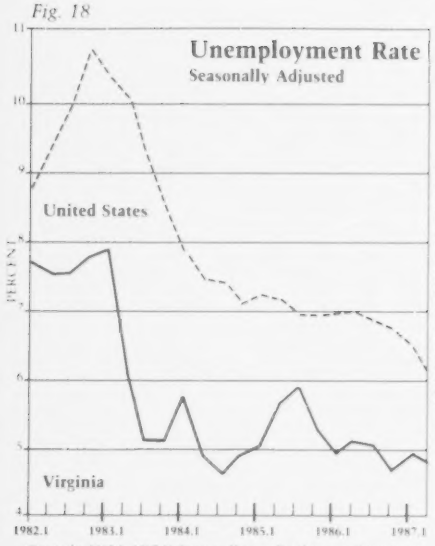
Fig. 17

Percentage Change in Nonagricultural Employment, in Metropolitan Areas, 1982 to 1986



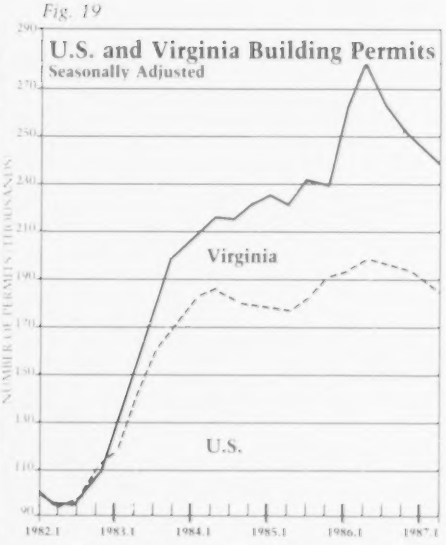
Source: Virginia Employment Commission

Fig. 18



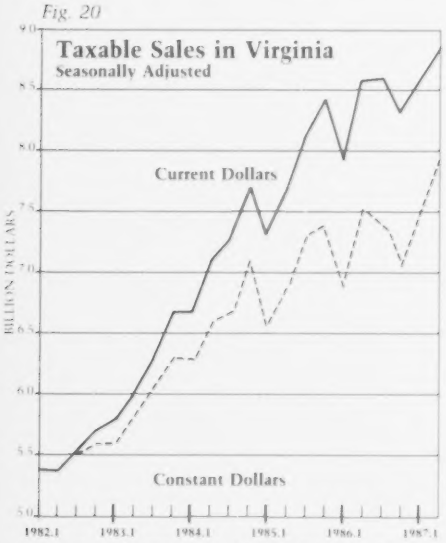
Quarterly (1982.1–1987.1) Sources: Virginia Employment Commission (Virginia); U.S. Department of Labor, Bureau of Labor Statistics (U.S.)

Fig. 19

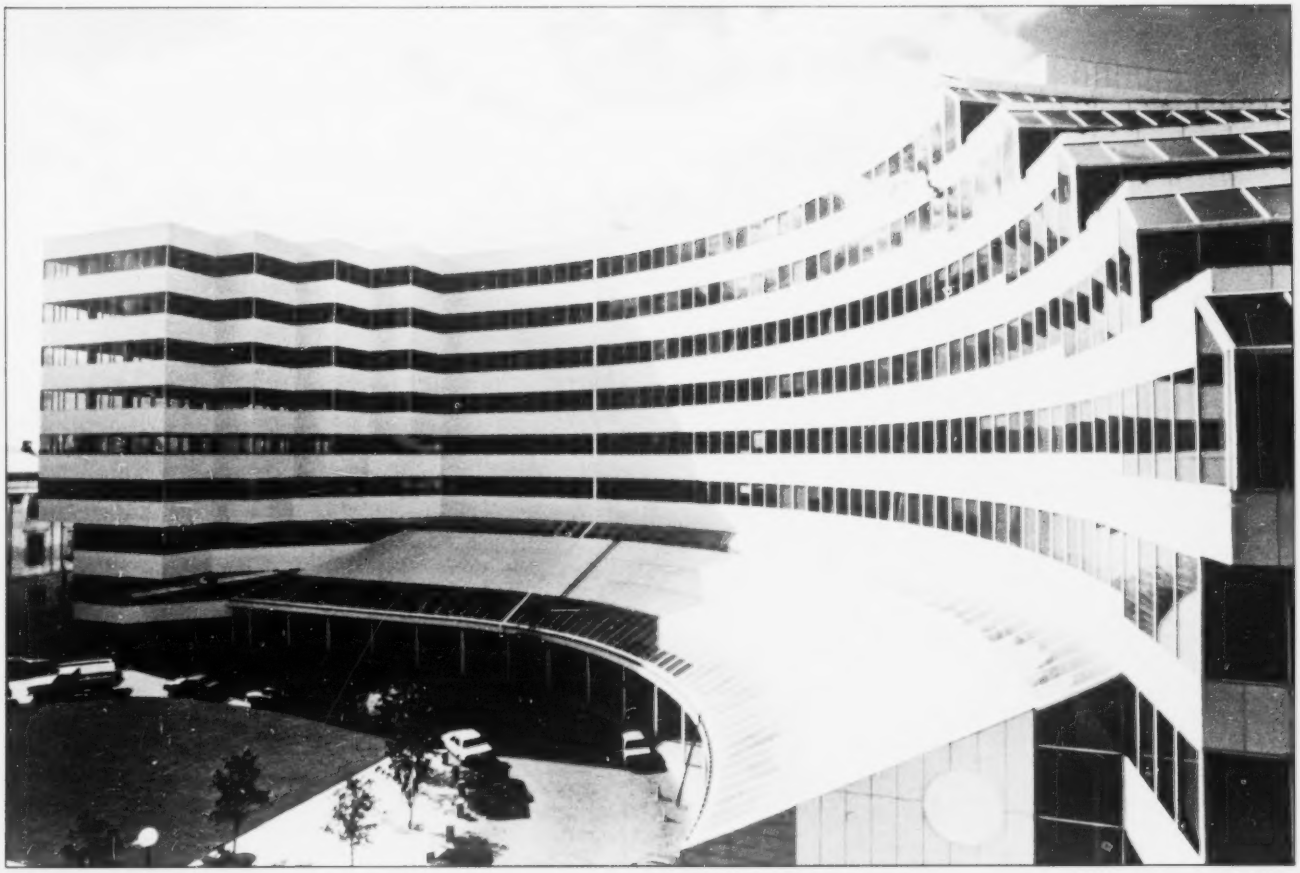


Quarterly (1982.1–1987.1) Source: U.S. Department of Commerce, Bureau of the Census

Fig. 20



Quarterly (1982.1–1987.1) Source: Va. Department of Taxation



—VIRGINIA WORLD TRADE CENTER

The Virginia Center for World Trade, located in Norfolk's World Trade Center, serves as an education, information, and research center for international trade.

Special Report on Virginia's International Trade

1987—Year of International Trade

Today, international flights to Japan and West Germany depart regularly from Washington Dulles International Airport. Today, the Port of Hampton Roads features the latest technology in Finnish cranes. Today, European truck manufacturers and a Japanese machinery plant occupy the Virginia landscape. Today, entire soybean crops are exported to Japan.

This year marks a new era in Virginia's trade history. In his State of the Commonwealth Address, Governor Gerald L. Baliles designated 1987 as the Year of International Trade—the year to make Virginia a more active participant in the global market.

New economic relationships, advancing technology, and worldwide competition now make it vital for Virginia to find new markets and attract new investments abroad.

In his January 15, 1987 State of the Commonwealth Address, Governor Baliles stated:

> "We have quickly arrived within sight of the 21st century—and we can see a discernible outline of unprecedented challenge and unlimited opportunity ahead.
>
> ". . . Virginia is rapidly becoming a full participant in a steadily emerging global market."

In his address, Governor Baliles also outlined five major objectives for transforming Virginia into a major center of international trade:

(1) Scheduling key foreign trade missions for exploring trade opportunities and expanding use of the Port of Hampton Roads.

(2) Establishing special foreign language academies to better prepare future business leaders for communicating with trading partners.

(3) Enhancing the knowledge of worldwide geography by forming an alliance with the National Geographic Society.

(4) Creating a Virginia International Trade Commission composed of business, government, and educational leaders.

(5) Maximizing opportunities available through the Virginia Center for World Trade.

Norfolk International Terminals (right), Newport News Marine Terminal, (far right), and Portsmouth Marine Terminal (below right) are three of the five State-owned general cargo facilities within the Commonwealth. In 1986, 4.5 million tons of general cargo moved through State-owned facilities. Additionally, almost 50 million tons of bulk commodities moved through privately-owned Virginia ports.

—VIRGINIA PORT AUTHORITY

—VIRGINIA PORT AUTHORITY

—VIRGINIA PORT AUTHORITY

Heavy-lift cargo, such as turbine engines, moves through the ports of Virginia.

—VIRGINIA PORT AUTHORITY

Foreign Trade Missions

During his three trade missions to seven different countries—Japan, Korea, Taiwan, People's Republic of China, United Kingdom, Denmark, and Sweden—Governor Baliles promoted Virginia products and services, sought opportunities for locating new industry, and executed trade agreements with foreign governments and corporations.

In April 1987, the Governor made his first international trade trip to the Far East with two days of business meetings in Tokyo and an eight-day stay in the People's Republic of China.

While in Japan, meetings with Bank of Tokyo officials resulted in the signing of an agreement to finance Japanese export/import business with Virginia.

Other results of this mission included the:

- Exportation of an entire crop of special soybeans and 1000 metric tons of Virginia peanuts.
- Inclusion of the Japanese language in the Governor's Foreign Language Academies.
- Decision to construct Sumitomo Machinery Corporation's new 150,000 square-foot facility in Chesapeake.
- Decision to open Opton, Inc., the Japanese company's first U.S. plant in Newport News. The company makes glass parts for photocopiers and is a supplier for Canon.

Other plans included:

- Availability of Virginia wines on international flights from Washington Dulles International Airport.
- Development of a Japan/Virginia tourism package.

In traveling to the People's Republic of China, the Governor boarded the inaugural flight of All Nippon Airways from Tokyo to Beijing.

His trip to the People's Republic of China included meetings with officials responsible for the sale and purchase of chemicals, agricultural products, machinery, and shipping operations.

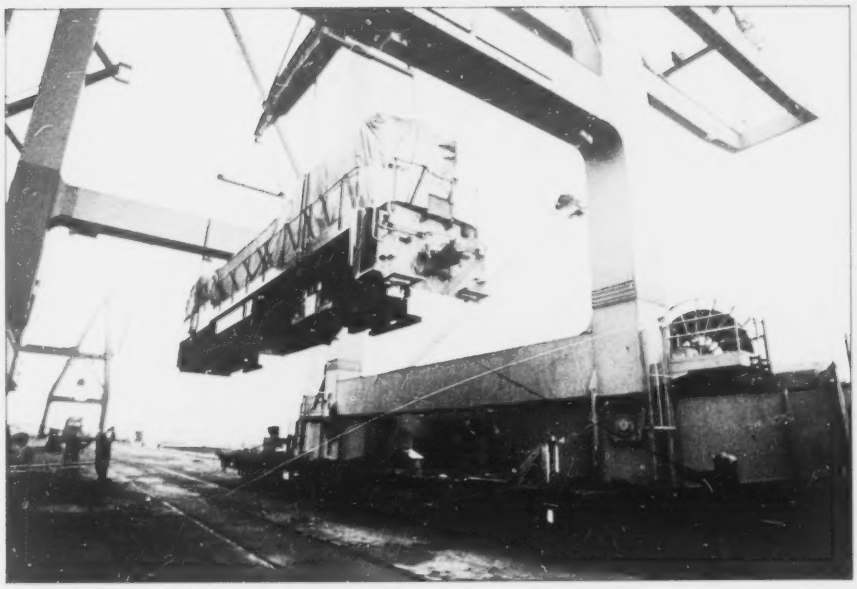
China, a country likely to emerge as a major world trading partner, agreed to ship $350 million worth of electrical generators through the Port of Newport News, bound for the People's Republic of China. China also confirmed an interest in developing exchange programs for studying Virginia's transportation and educational systems.

To strengthen Virginia's competitive advantage, the People's Republic of China received maps identifying Virginia port locations and an index of the State's products and suppliers. In return, the People's Republic of China provided the Commonwealth with a complete list of Chinese products exported to the United States.

In a second trade mission during the summer of 1987, the Governor met with government officials, corporate and industrial leaders, and tourism experts in Great Britain. In September, Nimbus Records, a Wales-based company, opened a 65,000 square-foot compact disc manufacturing plant in Virginia's Greene County.

In Denmark, the Governor conferred with maritime executives and shipping officials to investigate opportunities for encouraging Scandinavian shipping lines to utilize the Port of Hampton Roads.

Recognized as a premier East Coast port for handling specialized cargo, Virginia ports receive locomotive engines from Pennsylvania-based General Electric for shipment to the People's Republic of China.



—VIRGINIA PORT AUTHORITY

Evergreen, the world's largest container shipping line, transports manufactured goods such as electronics, tobacco, and wine to and from Norfolk International Terminals.

—VIRGINIA PORT AUTHORITY

Following his trip to Sweden, Volvo of America Corporation began to ship automotive parts through the Port of Hampton Roads, and Volvo Truck Corporation expanded its facility in Pulaski County.

In October 1987, the Governor initiated his third trade mission, a 17-day trip to Japan, Taiwan, Hong Kong, and South Korea. During this mission, marking his second economic development trip to the Far East, the Governor and his delegation of 100 Virginia business leaders established new business relationships with foreign officials and strengthened existing trade ties. During this mission, Virginia's Governor also hosted the Southeast United States/Japan Conference in Tokyo and attended the Southeast United States/Korea Economic Conference in Seoul.

As with previous trade missions, the Governor actively pursued new markets for Virginia's growing list of agricultural exports, investigated new cargo traffic for the Port of Hampton Roads, and encouraged new foreign investors to locate their companies within the Commonwealth.

Continuing progress regarding plans and initiatives established through the Governor's three trade missions will, in part, be assured through efforts carried out by Virginia trade experts, who are resident in field offices located in Brussels, Belgium; Sao Paulo, Brazil; Tokyo, Japan; and Hong Kong.

Languages

Communication is essential in gaining new markets for Virginia's products and services. To guarantee Virginia's successful participation in the global market, future business leaders must possess the tools for negotiating in the language of the customer. Virginia will continue to gain potential markets as our government and business leaders learn to communicate fluently with the rest of the world.

To ensure the Commonwealth's position in international trade, language study in Virginia will be emphasized and expanded. Recommendations include providing opportunities for language instruction at elementary levels and a greater emphasis on verbal fluency and listening skills in language requirements at the university level.[1]

In addition to strengthening foreign language programs in Virginia's public schools and State universities, the Governor has created Foreign Language Academies. These academies provide intensive summer programs for qualified junior and senior high school students to study French, Spanish, German, Japanese, Chinese and Korean—the languages of world trade. The first academies were offered this past summer.

National Geographic Society

The Year of International Trade, according to Governor Baliles, is also dedicated to preparing Virginians for their role in expanding world markets and attracting foreign investments.

In an open letter published in the October 4, 1987 issue of the *Richmond Times-Dispatch*, Governor Baliles reported:

"... In Virginia we are stressing, in a variety of ways, the need for young and old to see and understand the world beyond their own

backyard, even beyond their own nation. We have created the Governor's Foreign Language Academies . . . established an alliance between the Virginia Department of Education and the National Geographic Society . . . and installed an Office of International Education in the Department of Education."

In addition to possessing foreign language skills, future business and government leaders must also be more informed about world geography—the knowledge of the people, places, and resources that comprise the global market.

It is increasingly necessary for students to couple their knowledge of Virginia's unique geography with a firm understanding of the globe.

This year the State received a grant from the National Geographic Society to help increase the knowledge of geography of Virginia's teachers, students, and business leaders.

To help teachers improve their geography instruction, the Virginia Geographic Alliance regularly schedules workshops for all teachers and will sponsor an intensive, three-week summer institute for 40 selected teachers during the summer of 1988.

As part of a statewide map illustration project, over one-half million maps were distributed to seventh grade students and 200 wall maps were sent to schools. These specially-designed maps are used as a learning tool for teaching Virginia's global interdependence.

The Virginia Geographic Alliance will also develop a state-of-the-art instructional package for teaching world geography to elementary school students. Once developed, Virginia is expected to serve as a model project on the East Coast.

The Alliance also publishes a quarterly newsletter for information exchange.

International Trade Commission

The Virginia International Trade Commission, composed of 15 business, government, and educational leaders is responsible for:

- Assessing countries for trade opportunities.
- Defining future overseas trade missions.
- Identifying Virginia products and services for trade.
- Targeting specific countries for attraction of investment.
- Evaluating existing international programs.
- Developing a long-range, cohesive trade plan.

Activities outlined in the international trade plan are jointly implemented by the Virginia Port Authority, the Department of Economic Development, the Department of Agriculture and Consumer Services, and the Virginia Center for World Trade.

As the Year of International Trade concludes, the Commission will convene during the coming months to:

- Identify target countries for aggressive export programs.
- Contact Virginia businesses to supply potential exports.
- Report on the nature of the Governor's trade missions.
- Define the future role of the Virginia Center for World Trade.
- Evaluate proposals for a Virginia Center for Teacher Education.
- Identify the potential of trade zones and foreign sales corporations.
- Report on future operations of overseas offices.

Virginia Center for World Trade

In order to expand its markets, Virginia is working to stimulate interest in overseas trade within the Commonwealth's business community.

The Virginia Center for World Trade, headquartered at the World Trade Center in Norfolk, is dedicated to providing education, information, and applied research for the international business community.

The Center offers education and training through conferences, workshops, and seminars designed to stimulate interest in world commerce. Recent programs included seminars on import procedures, foreign exchange, customs regulations, freight rates and insurance.[2]

In September 1987, the Center initially funded the Volunteers in Development Education Program through which former Peace Corps volunteers will bring the knowledge of foreign cultures to Virginia communities.

Recently, the Center also published Virginia's first annual directory of exports and imports.

Transportation

Virginia's geography coupled with a finely-tuned, interlocking network of highways, airports, and seaports makes her a natural gateway to the entire East Coast. A modern, constantly expanding transportation system is instrumental in attracting foreign industry to the Commonwealth.

Virginia has taken major steps in further enhancing its transportation system. During the next 12-1/2 years, a total of $11.8 billion will be invested in an integrated system of air, sea, and land transport.

Years of investment and facility improvements have provided Virginia with a strong and viable air transportation system. The statewide network of commercial airports helps promote commerce by offering access to national and international markets.

Virginia is listed among the top ten states in origination and destination traffic. In 1986, over 29 million passengers traveled through Virginia's commercial airports. This passenger total is projected to increase to 62 million by the year 2000.

The State's air transportation system includes 80 public-use airports which generate $4.4 billion of economic activity annually.

Twelve commercial aviation facilities provide scheduled airline service, and 68 general aviation airports handle business and other private operations across the State.

Two of the nation's largest air carrier airports—Washington National and Washington Dulles International—are located in Northern Virginia. Together, these airports offer non-stop and direct service to 145 domestic and 41 international destinations.

Virginia's commercial airport system also provides scheduled airline service for its metropolitan areas such as Norfolk, Richmond, and Roanoke, as well as a blend of national and regional air carrier service to the communities of Charlottesville, Lynchburg, and the Shenandoah Valley.

The Virginia Port Authority, which administers State-owned

marine terminal facilities, is one of the most aggressive players among the nation's ports.

The State has dedicated $200 million for the expansion of port facilities over the next ten years. The various terminals that comprise the Port of Hampton Roads are now recognized as the fastest growing port facilities in the United States with more than $12 billion in foreign trade in 1986. Virginia also provides financial assistance to muncipally-owned riverports in Alexandria and Richmond.

A computerized cargo clearance program, a major harbor-deepening project with the U.S. Army Corps of Engineers, and four state-of-the-art container cranes are among the recent achievements that distinguish the Port of Hampton Roads.

Shipment of general cargo through State-owned port facilities has increased nearly 70 percent since 1983, to about 5 million tons this year. General cargo is expected to grow to 7 million tons by 1994.

Over 54,000 miles of pavement crisscross the Virginia landscape, the third largest state-maintained road system in the nation. During 1984–86 a total of $534 million was spent constructing 652.5 miles of interstate, primary, urban, and secondary highways. An additional $648.1 million was spent maintaining these road systems.

One of the major goals of the Virginia Department of Transportation is to provide for the safety, convenience, and comfort of the traveling public and to provide for the adequate movement of goods throughout the Commonwealth.

The Department of Transportation is also committed to constructing and regulating a superior highway system for enhancing opportunities for economic growth.

To meet a growing and changing highway and transportation program, the State revised the funding formula and expanded the sources of revenue utilized for highway construction.

In July 1987, a revenue package from different fees and taxes created funds for a Critical Highway Improvement Program, which was established by a special session on transportation initiatives that was held by the General Assembly in 1986.

Other achievements of Virginia's highway program include:

- Completion of 710 interstate, primary, urban, and secondary highway construction projects.
- Allocation of $7.3 million to build or improve roads leading to 52 new or expanding industrial areas.
- Designation of $600,000 for new or improved access road for three airports.
- Completion of 121 safety improvement projects at a cost of $13 million.
- Opening of 10 additional commuter parking lots across the State bringing the total to 56 commuter parking lots funded or operated by the State.

Commonwealth Leadership

The personal involvement and leadership of Governor Baliles is a key factor in the strengthening of Virginia's involvement in international trade. Throughout 1987, the Governor has provided this leadership through a number of events and activities.

In March 1987, Governor Baliles represented Virginia at the annual meeting of the Inter-American Development Bank—an organization devoted to the promotion of trade and commerce in the Southern Hemisphere.

During October 1986, he addressed the opening and closing sessions of the Eleventh Annual Meeting of the Southeast United States/Japan Association held in Hot Springs, Virginia.

While on his second trade mission to the Far East, Governor Baliles led the Virginia delegation in hosting the Japan/Southeast United States Association's Annual Meeting in Tokyo.

Governor Baliles also serves as the Chairman of the International Trade Committee of the National Governors' Association.

In November 1987, while introducing one of the programs of the Virginia Geographic Alliance, Governor Baliles extended his leadership to school children by personally teaching a televised class on the importance of geography and trade.

Although a site has not been named yet, Virginia has been selected to host the meeting of the United States/Korea Economic Conference in November of 1988.

Conclusion

Trade missions to the Far East and Europe . . . Foreign Language Academies . . . Virginia Geographic Alliance . . . Virginia International Trade Commission . . . Virginia Center for World Trade . . . Through his aggressive leadership and the Year of International Trade, Governor Baliles has distinguished Virginia as a rising contender in the arena of world trade.

Now, as foreign trade missions conclude, language and geography programs gear up, new foreign investments take root, and air and airport activity accelerate, the Year of International Trade draws to a close.

The Year of International Trade will conclude in December with Virginia's participation in the nationally televised annual meeting of all former U.S. Secretaries of State. The meeting, sponsored by the Southern Center for International Trade, will be hosted in Norfolk, Virginia.

For further information concerning the Year of International Trade and Virginia's programs for serving world markets, write or telephone:

Mr. Hugh D. Keogh, Director
Virginia Department of Economic Development
1000 Washington Building
Richmond, Virginia 23219
(804) 786-3791

FOOTNOTES

[1]Melanie I. Beirmann, *University of Virginia Newsletter*, "Virginia in the Global Marketplace: Public Policy for the 21st Century," University of Virginia, Charlottesville, August, 1987, p. 71.
[2]*Ibid.*, p. 70.

ACKNOWLEDGMENTS

1. CSX Corporation
2. *The Richmond Times-Dispatch*
3. Virginia Department of Agriculture and Consumer Services
4. Virginia Department of Economic Development
5. Virginia Port Authority
6. Virginia State Library
7. Philip Morris, U.S.A.

Organization of Government

As of July 1, 1987

Executive

Attorney General

Department of Law

Governor

Chief-of-Staff

Virginia Liaison Office

Secretary of the Commonwealth

Lieutenant Governor

Administration

Secretary of Administration
Commission on Local Government
Compensation Board
Department of Employee Relations Counselors
Department of General Services
Department of Information Technology
Department of Personnel and Training
State Board of Elections
Virginia Supplemental Retirement System
Council on Human Rights

Finance

Secretary of Finance
Department of Accounts
Department of the State Internal Auditor
Department of Planning and Budget
Department of Taxation
Department of Treasury
Treasury Board

Human Resources

Secretary of Human Resources
Department for the Rights of the Disabled
Council on Indians
Commission on Status of Women
Department for the Aging
Department of Health
Department of Health Regulatory Boards
Department of Medical Assistance Services
Department of Mental Health, Mental Retardation and Substance Abuse Services
Department of Rehabilitative Services
Department of Social Services
Department for Children
Department of Volunteerism
Governor's Employment and Training Department
Department for the Visually Handicapped
Department for the Deaf and Hard-of-Hearing
Health Services Cost Review Council

Economic Development

Secretary of Economic Development
Department of Agriculture and Consumer Services
Department of Commerce
Department of Economic Development
Department of Housing and Community Development
Department of Labor and Industry
Department of Mines, Minerals, and Energy
Milk Commission
State Department of Minority Business Enterprise
Virginia Employment Commission
Department of Forestry
Virginia Commission for the Arts

Transportation and Public Safety

Secretary of Transportation and Public Safety
Commonwealth's Attorney's Services and Training Council
Department of Alcoholic Beverage Control
Department of Aviation
Department of Corrections
Department of Criminal Justice Services
Department of Fire Programs
Department of Transportation
Department of Military Affairs
Department of State Police
Department of Motor Vehicles
Department of Correctional Education
State Department of Emergency Services
Virginia Parole Board
Virginia Port Authority

Education

Secretary of Education
Christopher Newport College
The College of William and Mary
George Mason University
The Science Museum of Virginia
Gunston Hall
University of Virginia
James Madison University
Frontier Culture Museum of Virginia
Jamestown-Yorktown Foundation
Virginia Commonwealth University
Longwood College
Virginia Community College System
Mary Washington College
Virginia Military Institute
Norfolk State University
Old Dominion University
Virginia Polytechnic Institute and State University
Radford University
Virginia State Library and Archives
State Council of Higher Education
Virginia State University
Department of Education
Virginia Museum of Fine Arts

Natural Resources

Secretary of Natural Resources
Department of Game and Inland Fisheries
Department of Conservation and Historic Resources
Council on the Environment
Marine Resources Commission
State Air Pollution Control Board
Department of Waste Management
State Water Control Board

Legislative

Senate
House of Delegates
Auditor of Public Accounts
Commission on Veterans' Affairs
Division of Legislative Automated Systems
Division of Legislative Services
Joint Legislative Audit and Review Commission
Legislative Support Commission
Division of Capitol Police
Virginia Coal and Energy Commission
Virginia Code Commission
Virginia Commission on Intergovernmental Cooperation
Virginia State Crime Commission
Virginia Housing Study Commission
Water Commission

Judicial

Supreme Court
Court of Appeals of Virginia
Circuit Courts
District Courts
Judicial Inquiry and Review Commission
Magistrate System
Public Defender Commission
State Board of Bar Examiners
Virginia State Bar

Independent Agencies

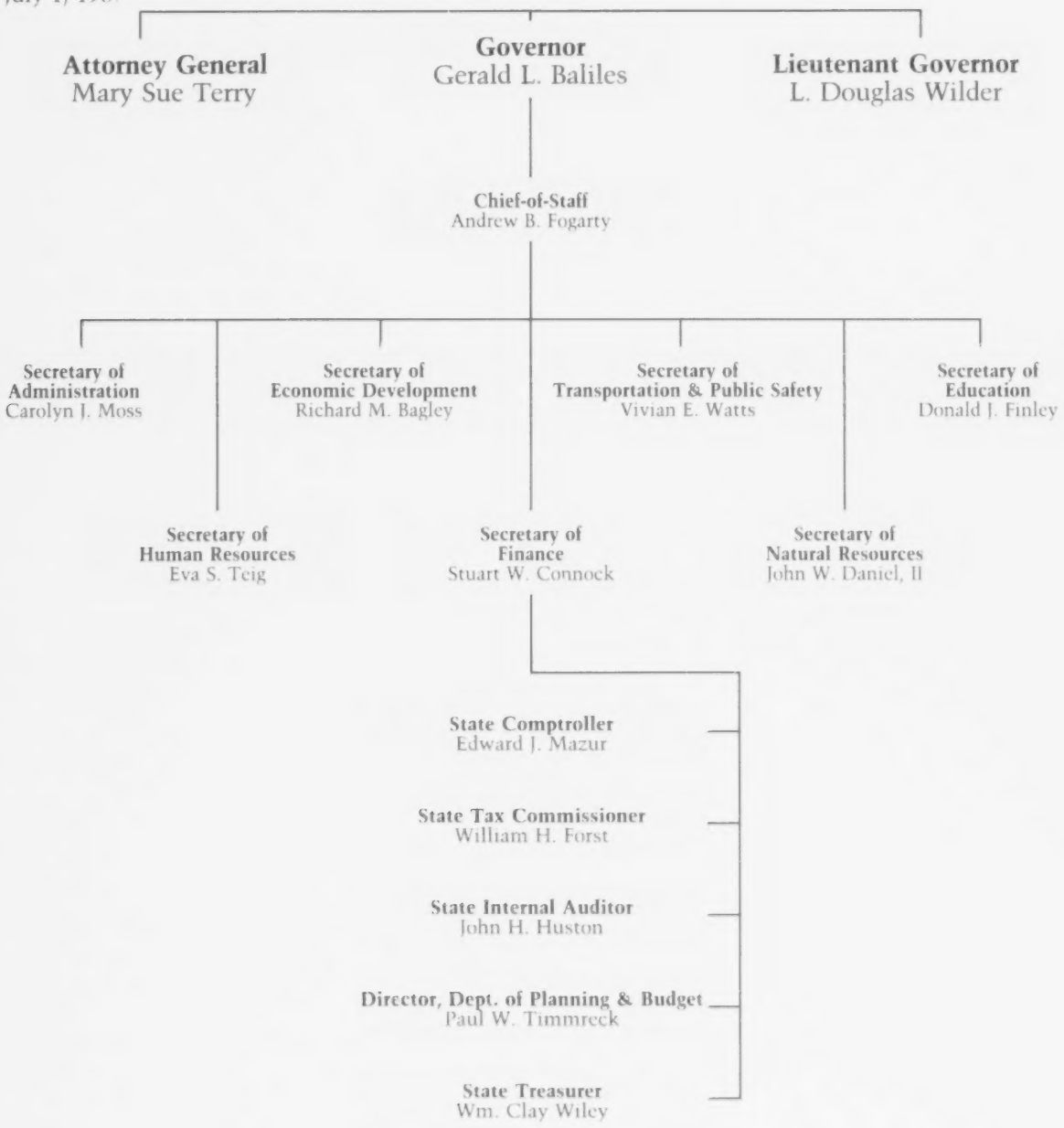
State Corporate Commission
Department of Workers' Compensation

Public Benefit Corporations

Virginia Housing Development Authority
Virginia Education Loan Authority
Virginia International Terminals, Inc.
Virginia Resources Authority
State Education Assistance Authority
Virginia Public School Authority

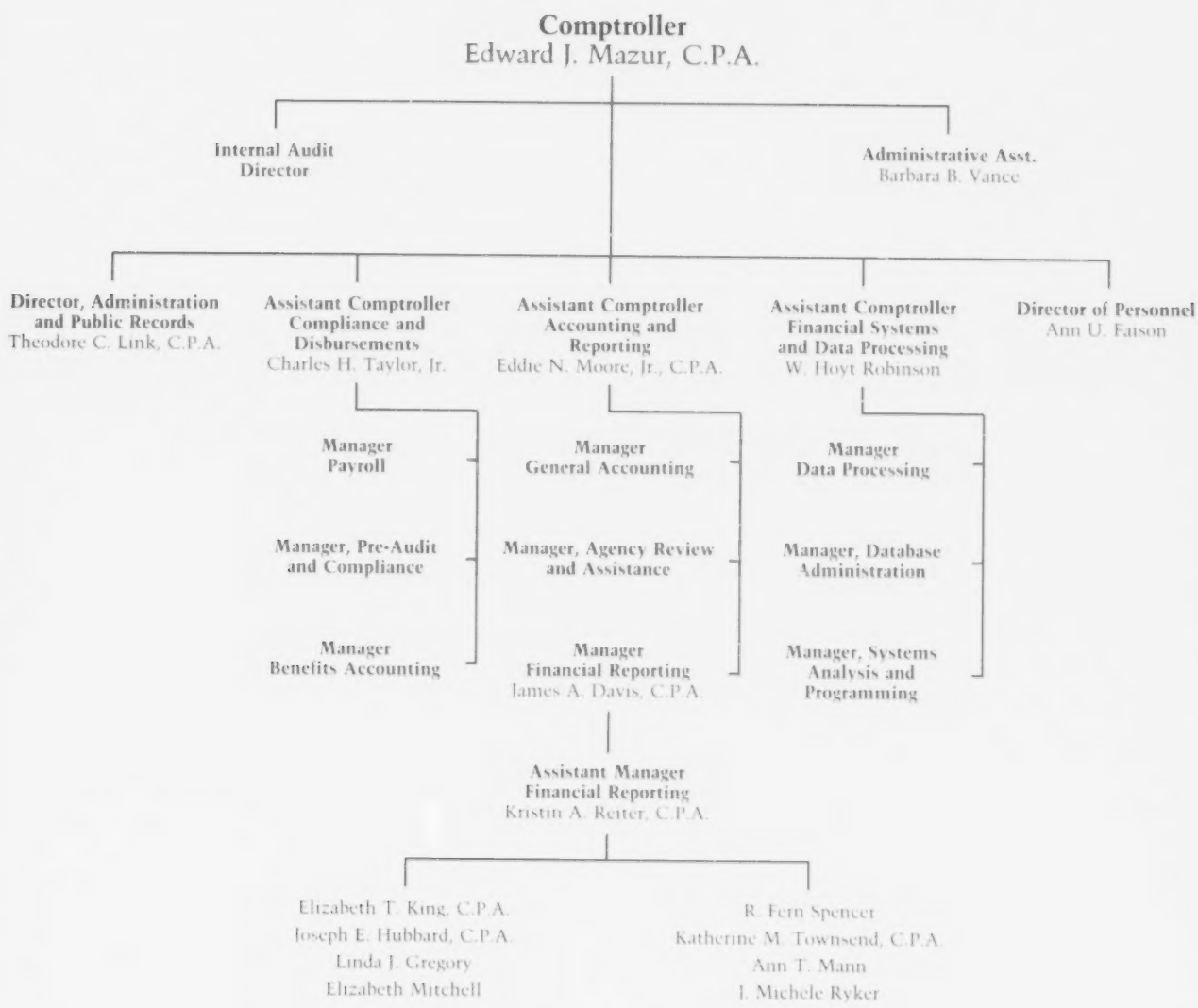
Selected State Officials—Executive Branch

As of July 1, 1987

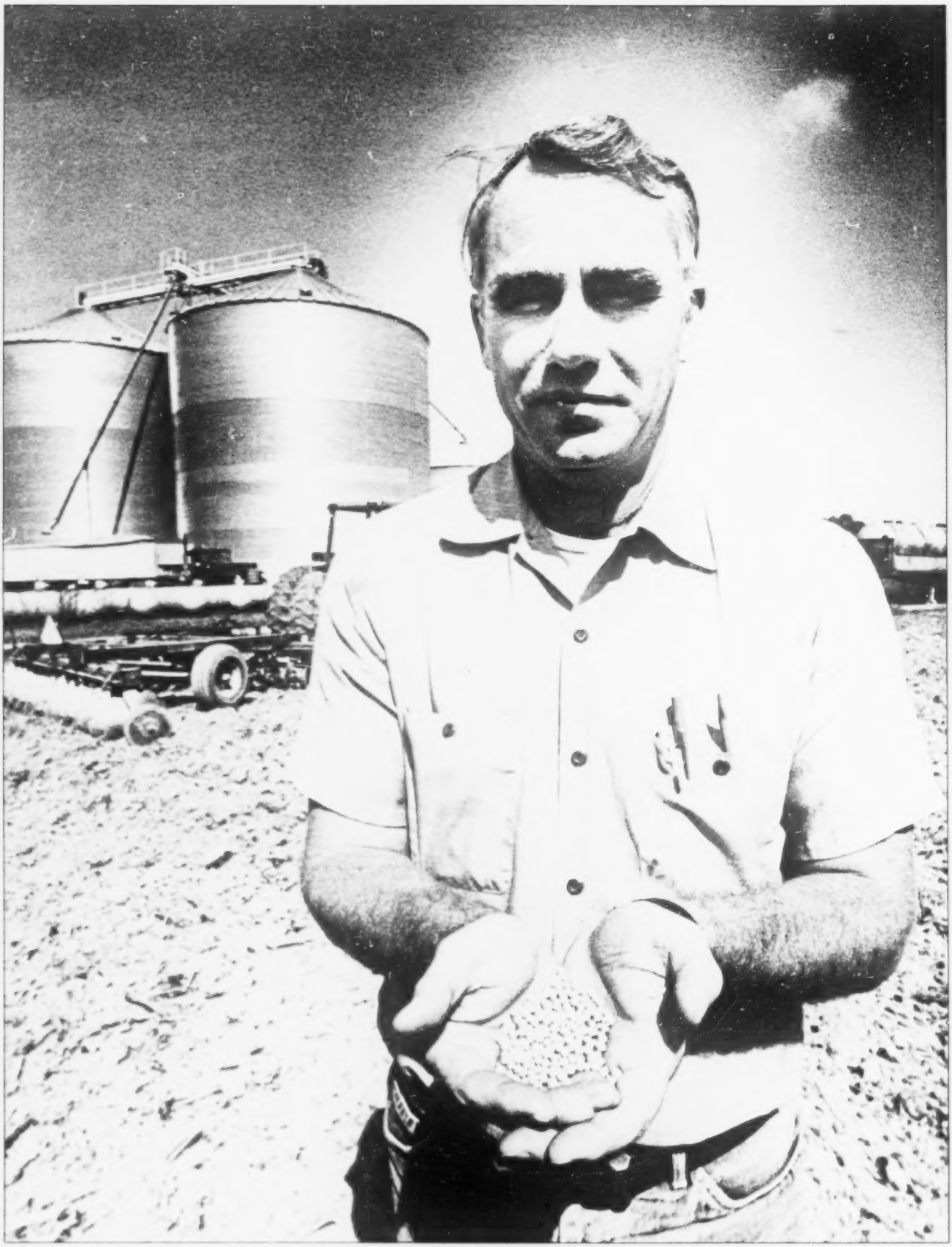


Department of Accounts

Organization Chart



Overview of Department of Accounts: Major activities of the Department of Accounts include maintaining the general accounting records of the Commonwealth; developing and implementing modern systems of accounting; auditing expenditures to ensure compliance with State laws and supporting administrative regulations; issuing warrants for the disbursement of all State funds; prescribing accounts to be kept by State agencies; prescribing forms for payment of claims and travel vouchers; requiring certification or other evidence as a condition to issuance of warrants; approving date of payment of State salaries; allowing money claims against the Commonwealth; assisting agencies in the monitoring of accounts receivable balances; issuing regulations, memoranda, and forms for the guidance and use of fiscal and personnel officers of public agencies and institutions regarding the handling of, accounting for, and reporting on State funds; preparing reports required for sound financial management on a daily, weekly, monthly, quarterly, and annual basis for distribution to the General Assembly, the Governor, State agencies, and to others interested in State government.



—RICHMOND TIMES DISPATCH

Financial Section

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General Purpose Financial Statements 36
Combining and Individual Fund Statements 69

An Essex County farmer, William L. Taliaferro, harvests specialty soybeans for export to Japan for use as an ingredient in a popular condiment over rice.

Auditor's Opinion

WALTER J. KUCHARSKI
AUDITOR

Commonwealth of Virginia

AUDITOR OF PUBLIC ACCOUNTS

P. O. Box 1295

Richmond 23210

December 4, 1987

The Honorable Gerald L. Baliles
Governor of Virginia
State Capitol
Richmond, Virginia

The Honorable Hunter B. Andrews
Chairman, Joint Legislative Audit and Review Commission
General Assembly Building
Richmond, Virginia

Gentlemen:

We have examined the general purpose financial statements of the COMMONWEALTH OF VIRGINIA as of and for the year ended June 30, 1987, as listed in the table of contents. Our examination was conducted in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and other auditing procedures as we considered necessary in the circumstances. We did not examine the financial statements of certain component units of the Commonwealth discussed in Note 1(B) which comprise 86.4 percent and 53.6 percent, respectively, of the assets and revenues of the Enterprise Funds. The financial statements of the components were examined by other auditors whose reports thereon have been furnished to us and our opinion expressed herein, insofar as it relates to the amounts included for Enterprise Funds—Public Benefit Corporations is based in part upon the reports of other auditors.

In our opinion, based on our examination and the reports of other auditors, the general purpose financial statements referred to above present fairly the financial position of the COMMONWEALTH OF VIRGINIA at June 30, 1987, and the results of its operations and the changes in financial position of its proprietary fund types and similar trust funds for the year then ended, in conformity with generally accepted accounting principles which, except for the changes discussed in Note 5 to the financial statements, with which we concur, have been applied on a basis consistent with that of the preceding year.

Our examination was made for the purpose of forming an opinion on the general purpose financial statements. The combining and individual fund financial statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the Commonwealth of Virginia. This information, and not the information in the Introductory and Statistical Sections, has been subjected to the auditing procedures applied in the examination of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements of each of the fund types and account groups included in the general purpose financial statements taken as a whole. We express no opinion on the information in the Introductory or Statistical Sections.

Sincerely,

Walter J. Kucharski

AUDITOR OF PUBLIC ACCOUNTS

PHILIP MORRIS, U.S.A.

Since colonial days, tobacco, such as Philip Morris brands sold in Japan, has remained a popular Virginia export. In 1986, Virginia exported $95 million worth of tobacco and tobacco products.

— VIRGINIA DEPARTMENT OF ECONOMIC DEVELOPMENT

In 1986, over 46.3 million pounds of Virginia peanuts were exported to 22 countries.

Combined Balance Sheet
All Fund Types and Account Groups

June 30, 1987

(Dollars in Thousands)

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Assets				
Cash and Cash Equivalents (Note 2):				
State	$ 135,113	$ 301,140	$ 9,570	$ 32,784
Public Benefit Corporations				
Cash and Investments with Trustees (Note 2)			36,045	20,225
Petty Cash and Travel Advances	3,980	1,377		
Taxes, Loans, Accounts, and Other Receivables (Net, Notes 1 and 2):				
State	288,341	226,305		
Public Benefit Corporations				
Due from Other Funds (Note 3)	41,122	274,505		
Loans Receivable From Proprietary Funds (Note 1)	23,943			
Investments (Notes 1 and 2):				
State	377,930			43,107
Public Benefit Corporations				
Inventory (Note 1)				
Prepaid Expenses				
Other Assets			372	
Property, Plant, and Equipment (Notes 1 and 2)				
Systems Development Costs (Net) (Note 1)				
Unamortized Bond Issuance Expense				
Amount Available for Retirement of Long-Term Debt				
Amount to be Provided by the Commonwealth for Retirement of:				
Long-Term Debt				
Amount to be Provided by Other Sources for Retirement of:				
Long-Term Debt				
Total Assets	$ 748,339	$ 903,227	$ 35,987	$ 96,115
Liabilities and Fund Equity				
Liabilities:				
Accounts Payable	$ 92,235	$ 215,226	$	$ 4,260
Tax Refunds Payable (Note 1)	44,278			
Amounts Due to Localities	76,045			
Accrued Interest Payable:				
State				
Public Benefit Corporations				
Deposits Pending Distribution	1,416	7,106		
Claims Payable				
Notes Payable (Note 4)				
Other Liabilities				
Due to Other Funds (Note 3)	5,190	47,882		
Loans Payable to the General Fund (Note 1)				
Deferred Revenue (Note 1)	366	16,226		
Deferred Credit (Note 1)	282,104			
General Obligation Bonds Payable (Note 4)				
Transportation Bonds Payable (Note 4)				
Higher Education Bonds Payable (Note 4)				
Matured Interest Payable			5,439	
Matured Debt Payable			577	
Norfolk-Virginia Beach Toll Road Revenue Bonds (Note 4)				
Long-Term Debt of Virginia Port Authority and Virginia Public Building Authority (Note 4)				
Bonds Payable—Public Benefit Corporations (Note 4)				
Due to Program Participants, Escrows, and Providers				
Capital Lease Obligations (Note 4)				
Accrued Liability for Compensated Absences (Note 1)	210	182		
Total Liabilities	491,744	286,622	6,016	4,260
Fund Equity:				
Net Investment in Plant				
Investment in General Fixed Assets				
Contributed Capital (Note 2)				
Retained Earnings:				
State				
Public Benefit Corporations				
Fund Balances:				
Reserved/Restricted (Notes 1 and 2)	22,480			
Unreserved:				
Designated (Notes 1 and 2)	290,434		29,971	91,855
Undesignated/Unrestricted (Notes 1 and 2)	137,961	666,848		
Fund Balance—Budgetary Basis—General and Special Revenue Funds	450,875	666,848		
Adjustments from Budget to GAAP (Notes 1 and 2)	(194,280)	(50,243)		
Total Fund Equity	256,595	616,605	29,971	91,855
Total Liabilities and Fund Equity	$ 748,339	$ 903,227	$ 35,987	$ 96,115

The accompanying notes are an integral part of this financial statement.

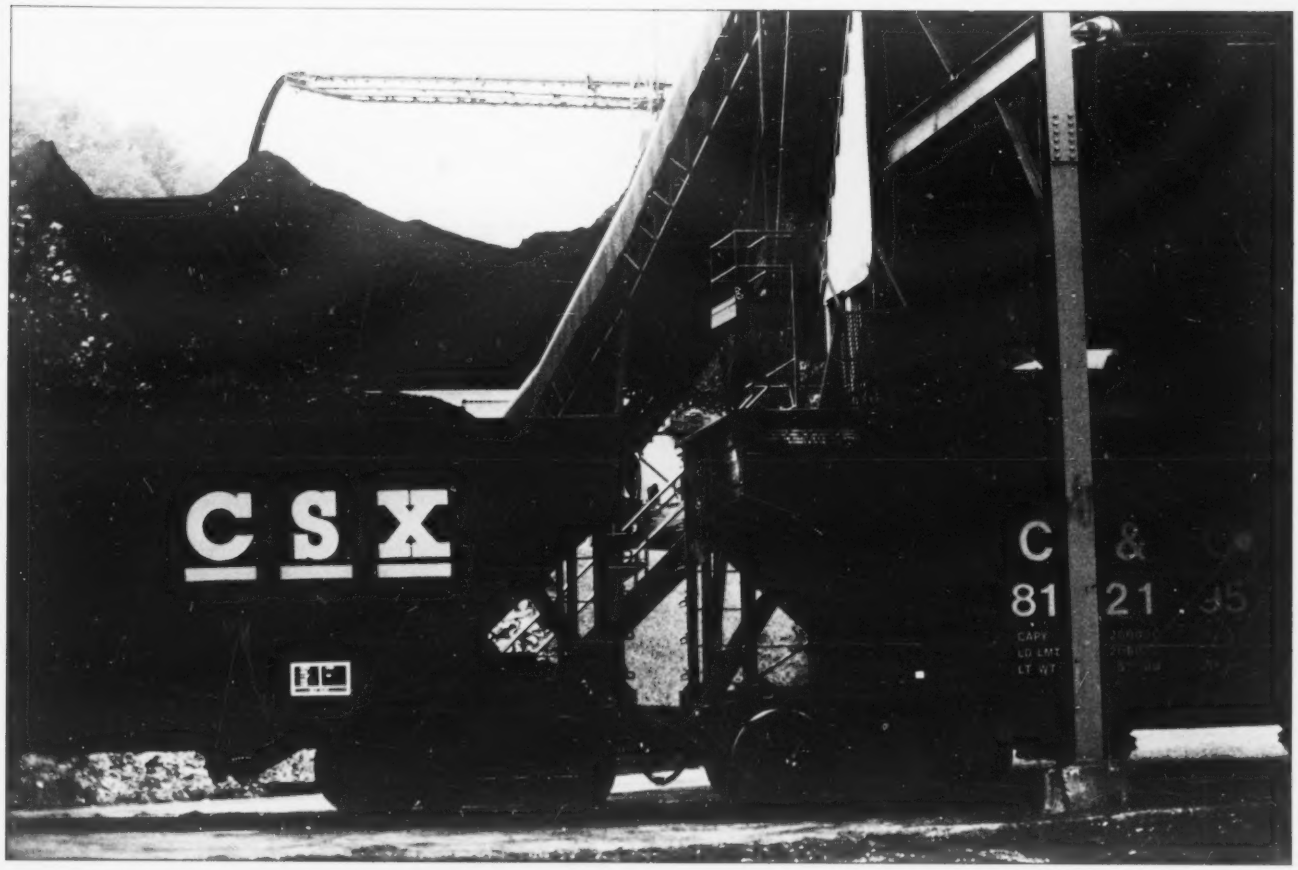
Proprietary Fund Types		Fiduciary Fund Type	Account Groups			Totals (Memorandum Only)	
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Debt	Higher Education	June 30, 1987	June 30, 1986
$ 2,033	$ 25,360	$ 1,244,995	$ —	$ —	$ 641,474	$ 2,482,468	$ 1,222,728
783,584	—	—	—	—	—	783,584	334,321
1,538	—	597,215	—	—	104,028	749,051	545,725
6	31	12	—	—	—	5,326	5,157
1,667	13,342	164,408	—	—	185,960	879,923	719,459
2,520,655	—	—	—	—	—	2,520,655	2,419,358
—	—	—	—	—	40,748	346,375	317,848
—	—	—	—	—	—	21,933	23,370
—	—	6,127,443	—	—	400,391	6,848,871	6,084,805
955,814	—	—	—	—	—	955,814	1,149,605
33,225	11,233	455	—	—	19,926	64,839	63,699
1,456	232	—	—	—	5,099	6,787	6,193
—	—	6	—	—	10,231	10,609	43,100
25,344	38,309	906	1,448,703	—	2,498,943	4,012,206	3,482,491
443	—	—	—	—	—	443	350
8,065	—	—	—	—	—	8,065	2,845
—	—	—	—	29,971	—	29,971	16,541
—	—	—	—	379,461	—	379,461	287,270
—	—	—	—	174,096	—	174,096	166,118
$ 4,333,830	$ 88,507	$ 8,135,440	$ 1,448,703	$ 583,528	$ 3,906,801	$ 20,280,477	$ 16,890,983
$ 33,249	$ 6,459	$ 107,682	$ —	$ —	$ 90,622	$ 549,733	$ 473,428
—	—	—	—	—	—	34,278	36,005
—	—	396,454	—	—	—	472,499	216,725
—	—	—	—	—	—	—	—
70,303	—	—	—	—	—	70,303	67,842
—	—	8,509	—	—	47,159	64,190	43,006
—	—	—	—	25,672	—	25,672	17,789
103,919	14,748	—	—	4,360	32,267	155,294	96,019
5,371	494	3,788	—	—	709	10,362	36,267
246,779	2,280	—	—	—	44,244	346,375	317,848
6,000	15,933	—	—	—	—	21,933	23,370
9,519	1,546	1,940	—	—	41,950	71,547	46,816
—	—	—	—	—	—	282,004	257,363
—	—	—	—	72,325	—	72,325	78,900
—	—	—	—	135,100	—	135,100	57,000
—	—	—	—	—	570,264	570,264	496,699
—	—	—	—	—	—	5,439	5,258
1,410	—	—	—	—	—	1,987	632
—	—	—	—	17,690	—	17,690	18,815
—	—	—	—	173,562	—	173,562	163,518
3,370,033	—	—	—	—	—	3,370,033	3,116,321
50,226	—	142,345	—	—	—	192,571	174,069
693	406	—	—	17,466	3,017	21,582	12,887
5,906	2,060	277	—	137,353	60,886	206,874	186,383
3,903,408	43,926	660,995	—	583,528	891,118	6,871,617	5,942,960
—	—	—	—	—	2,077,754	2,077,754	1,885,619
—	—	—	1,448,703	—	—	1,448,703	1,147,388
13,492	5,696	—	—	—	—	19,188	9,450
7,093	38,885	—	—	—	—	45,978	42,047
409,837	—	—	—	—	—	409,837	371,420
—	—	6,515,469	—	—	260,947	6,798,896	5,375,486
—	—	958,976	—	—	—	1,371,236	1,193,794
—	—	—	—	—	676,982	1,481,791	972,406
—	—	—	—	—	—	(244,523)	(49,587)
430,422	44,581	7,474,445	1,448,703	—	3,015,683	13,408,860	10,948,023
$ 4,333,830	$ 88,507	$ 8,135,440	$ 1,448,703	$ 583,528	$ 3,906,801	$ 20,280,477	$ 16,890,983

Combined Statement of Revenues, Expenditures, and Changes in Fund Balances All Governmental Fund Types and Expendable Trust Funds

For the Fiscal Year Ended June 30, 1987
(Dollars in Thousands)

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)	
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	Year Ended June 30, 1987	June 30, 1986
Revenues:							
Taxes	$ 4,445,796	$ 790,721	$ —	$ —	$ 173,894	**$ 5,410,411**	$ 4,711,094
Rights and Privileges	26,049	389,930	—	—	—	**415,979**	327,269
Assessments and Receipts for Support of Special Services	277	27,402	—	—	946	**28,625**	23,266
Institutional Revenue	2,083	194,389	—	—	6,782	**203,254**	179,572
Interest, Dividends, and Rents	164,268	16,152	13,266	9,643	56,026	**259,355**	169,210
Fines, Forfeitures, Court Fees, Penalties, and Escheats	37,205	29,111	—	—	495	**66,811**	62,081
Federal Grants and Contracts	—	1,534,881	—	—	22,600	**1,557,481**	1,523,421
Revenues from Cities, Counties, and Towns	1,130	89,672	—	6,367	—	**97,169**	79,185
Private Donations, Gifts, and Contracts	18	1,684	—	—	39	**1,741**	1,147
Contributions	—	—	—	—	163,174	**163,174**	103,097
Other	12,113	45,927	—	—	13,041	**71,081**	67,152
Total Revenues	4,688,939	3,119,869	13,266	16,010	436,997	**8,275,081**	7,246,494
Expenditures:							
General Government	256,985	52,788	—	—	115,553	**425,326**	316,300
Education	1,793,509	150,812	—	—	2,489	**1,946,810**	1,812,554
Transportation	17,112	1,418,659	—	—	—	**1,435,771**	1,320,266
Resources and Economic Development	132,247	123,217	—	—	2,488	**257,952**	223,591
Individual and Family Services	783,796	1,191,048	—	—	153,294	**2,128,138**	2,101,583
Administration of Justice	674,677	10,513	—	—	5,692	**690,882**	636,026
Capital Projects	—	—	—	128,296	—	**128,296**	69,802
Debt Service:							
Principal Retirement	—	—	17,169	—	—	**17,169**	11,508
Interest and Charges	—	—	42,175	—	—	**42,175**	20,129
Total Expenditures	3,658,326	2,947,037	59,344	128,296	279,516	**7,072,519**	6,511,759
Revenues Over (Under) Expenditures	1,030,613	172,832	(46,078)	(112,286)	157,481	**1,202,562**	734,735
Other Financing Sources (Uses):							
Transfers:							
Operating Transfers In	326,727	1,192,602	46,049	66,838	13,931	**1,646,147**	3,406,867
Operating Transfers Out	(1,306,294)	(1,250,719)	—	(9,259)	(11,080)	**(2,577,352)**	(3,920,412)
ABC Profit	28,905	—	—	—	—	**28,905**	29,738
Appropriations Act	20,512	(12,210)	—	—	(103)	**8,199**	8,544
Proceeds from Capital Leases	—	53	—	7,224	—	**7,277**	2,810
Proceeds from Sale of Bonds	—	—	—	78,000	—	**78,000**	—
Proceeds of Refunding Bonds	—	—	157,855	—	—	**157,855**	—
Payment to Refunded Bond Escrow Agent	—	—	(144,395)	—	—	**(144,395)**	—
Total Other Financing Sources (Uses)	(930,150)	(70,274)	59,509	142,803	2,748	**(795,364)**	(472,453)
Revenues and Other Sources Over (Under) Expenditures and Other Uses	100,463	102,558	13,431	30,517	160,229	**407,198**	262,282
Fund Balance, July 1, as adjusted (Note 5)	156,132	514,047	16,540	61,338	797,559	**1,545,616**	1,283,334
Fund Balance, June 30	$ 256,595	$ 616,605	$ 29,971	$ 91,855	$ 957,788	**$ 1,952,814**	$ 1,545,616

The accompanying notes are an integral part of this financial statement.



—CSX CORPORATION

Virginia's primary export is coal. Tons of coal are transported across the State by rail and through Virginia's ports.

Combined Statement of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual—Budgetary Basis General and Special Revenue Funds

For the Fiscal Year Ended June 30, 1987
(Dollars in Thousands)

	General Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Taxes	$4,292,000	$4,435,208	$ 143,208
Rights and Privileges	25,900	25,910	10
Assessments and Receipts for Support of Special Services	900	277	(623)
Institutional Revenue	3,000	2,650	(350)
Interest, Dividends, and Rents	135,500	162,788	27,288
Fines, Forfeitures, Court Fees, Penalties, and Escheats	34,200	36,176	1,976
Federal Grants and Contracts	—	—	—
Revenues from Cities, Counties, and Towns	1,200	1,086	(114)
Private Donations, Gifts, and Contracts	—	16	16
Other	15,900	12,422	(3,478)
Total Revenues	4,508,600	4,676,533	167,933
Expenditures:			
General Government	296,753	271,141	25,612
Education	1,857,286	1,851,383	5,903
Transportation	22,557	21,750	807
Resources and Economic Development	151,269	142,283	8,986
Individual and Family Services	885,130	873,590	11,540
Administration of Justice	694,029	682,764	11,265
Total Expenditures	3,907,024	3,842,911	64,113
Revenues Over (Under) Expenditures	601,576	833,622	232,046
Other Financing Sources (Uses):			
Transfers:			
Higher Education (Educational and General)	(708,951)	(705,276)	3,675
Capital Outlay	(294,756)	(97,337)	197,419
Other	(10,533)	(10,370)	163
ABC Profit	26,300	29,389	3,089
Appropriations Act	46,700	40,574	(6,126)
Total Other Financing Sources (Uses)	(941,240)	(743,020)	198,220
Revenues and Other Sources Over (Under) Expenditures and Other Uses	(339,664)	90,602	430,266
Fund Balance, July 1, as adjusted	360,273	360,273	—
Fund Balance, June 30	$ 20,609	$ 450,875	$ 430,266

The accompanying notes are an integral part of this financial statement.

Special Revenue Funds			Totals (Memorandum Only)		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
$ 847,404	$ 771,960	$ (75,444)	$ 5,139,404	$ 5,207,168	$ 67,764
352,870	391,033	38,163	378,770	416,943	38,173
23,595	27,494	3,899	24,495	27,771	3,276
191,099	194,767	3,668	194,099	197,417	3,318
5,873	14,356	8,483	141,373	177,144	35,771
21,089	29,032	7,943	55,289	65,208	9,919
1,583,622	1,454,987	(128,635)	1,583,622	1,454,987	(128,635)
73,430	85,078	11,648	74,630	86,164	11,534
1,239	1,564	325	1,239	1,580	341
148,144	109,595	(38,549)	164,044	122,017	(42,027)
3,248,365	3,079,866	(168,499)	7,756,965	7,756,399	(566)
79,774	50,293	29,481	376,527	321,434	55,093
193,233	145,894	47,339	2,050,519	1,997,277	53,242
1,641,900	1,398,510	243,390	1,664,457	1,420,260	244,197
151,682	122,579	29,103	302,951	264,862	38,089
1,259,696	1,200,717	58,979	2,144,826	2,074,307	70,519
16,488	10,561	5,927	710,517	693,325	17,192
3,342,773	2,928,554	414,219	7,249,797	6,771,465	478,332
(94,408)	151,312	245,720	507,168	984,934	477,766
—	—	—	(708,951)	(705,276)	3,675
(21,559)	(21,559)	—	(316,315)	(118,896)	197,419
7,900	(38,891)	(46,791)	(2,633)	(49,261)	(46,628)
—	—	—	26,300	29,389	3,089
(12,210)	(12,210)	—	34,490	28,364	(6,126)
(25,869)	(72,660)	(46,791)	(967,109)	(815,680)	151,429
(120,277)	78,652	198,929	(459,941)	169,254	629,195
588,196	588,196	—	948,469	948,469	—
$ 467,919	$ 666,848	$ 198,929	$ 488,528	$ 1,117,723	$ 629,195

Combined Statement of Revenues, Expenses, and Changes in Retained Earnings/Fund Balances All Proprietary Fund Types and Similar Trust Funds

For the Fiscal Year Ended June 30, 1987
(Dollars in Thousands)

	Proprietary Fund Types		Fiduciary Fund Types		Totals (Memorandum Only) Year Ended	
	Enterprise	Internal Service	Pension Trust	Non-expendable Trust	June 30, 1987	June 30, 1986
Operating Revenues:						
Interest, Dividends, and Rents:						
State	$ —	$ —	$ 347,353	$ —	$ 347,353	$ 311,075
Public Benefit Corporations	328,174	—	—	—	328,174	314,370
Special Allowance Income	5,645	—	—	—	5,645	7,837
Charges for Sales and Services	337,352	152,352	—	—	489,704	469,376
Contributions	—	—	665,528	—	665,528	628,498
Net Gain (Loss) on Sale of Investments	—	—	676,672	—	676,672	324,300
Other	754	237	77	—	1,068	1,013
Total Operating Revenues	671,925	152,589	1,689,630	—	2,514,144	2,056,469
Operating Expenses:						
Interest Expense:						
Public Benefit Corporations	270,563	—	—	—	270,563	256,770
Cost of Sales and Services	210,606	35,657	—	—	246,263	246,463
Retirement Benefits	—	—	277,673	—	277,673	251,442
Insurance Claims	—	22,991	—	—	22,991	17,657
Refunds to Former Members	—	—	28,625	—	28,625	35,163
Personal Services	55,905	22,956	3,661	—	82,522	74,649
Contractual Services	30,775	42,958	2,867	—	76,600	76,068
Supplies and Materials	3,624	2,965	94	—	6,683	7,218
Grants and Distributions to Localities	60	8	—	—	68	82
Expendable Equipment	342	550	7	—	899	1,367
Depreciation	3,180	14,074	135	—	17,389	15,475
Amortization	1,443	—	—	—	1,443	93
Rent, Insurance, and Other Related Charges	5,123	5,288	659	—	11,070	9,408
Other	7,261	248	159	—	7,668	12,659
Total Operating Expenses	588,882	147,695	313,880	—	1,050,457	1,004,514
Operating Income (Loss):						
State	37,318	4,894	1,375,750	—	1,417,962	1,001,267
Public Benefit Corporations	45,725	—	—	—	45,725	50,688
Total Operating Income (Loss)	83,043	4,894	1,375,750	—	1,463,687	1,051,955
Nonoperating Revenues (Expenses):						
Net Gain (Loss) on Sale of Investments	186	—	—	208	394	74
Interest, Dividends, and Rents	(427)	(1,533)	6	—	(1,954)	(2,383)
Discounts	—	121	—	—	121	133
Gain (Loss) on Sale of Fixed Assets	(4)	161	—	—	157	(204)
Grants and Shared Revenue	2	—	—	—	2	168
Other	230	541	—	—	771	273
Total Nonoperating Revenues (Expenses)	(13)	(710)	6	208	(509)	(1,939)
Income (Loss) before Transfers	83,030	4,184	1,375,756	208	1,463,178	1,050,016
Transfers:						
Operating Transfers In	54,379	306	1,080,875	—	1,135,560	658,977
Operating Transfers Out	(61,137)	(1,352)	(1,080,875)	—	(1,143,364)	(874,368)
ABC Profit	(28,905)	—	—	—	(28,905)	(29,738)
Appropriations Act	(7,295)	(862)	(42)	—	(8,199)	(8,491)
Total Transfers	(42,958)	(1,908)	(42)	—	(44,908)	(253,620)
Net Income (Loss):						
State	1,655	2,276	1,375,714	208	1,379,853	963,026
Public Benefit Corporations	38,417	—	—	—	38,417	(166,630)
Total Net Income (Loss)	40,072	2,276	1,375,714	208	1,418,270	796,396
Retained Earnings/Fund Balances, July 1, as adjusted (Note 5):						
State	5,438	36,609	5,139,036	1,699	5,182,782	4,219,756
Public Benefit Corporations	371,420	—	—	—	371,420	538,050
Total Retained Earnings/Fund Balances, July 1, as adjusted	376,858	36,609	5,139,036	1,699	5,554,202	4,757,806
Retained Earnings/Fund Balances, June 30:						
State	7,093	38,885	6,514,750	1,907	6,562,635	5,182,782
Public Benefit Corporations	409,837	—	—	—	409,837	371,420
Total Retained Earnings/Fund Balances, June 30	$ 416,930	$ 38,885	$ 6,514,750	$ 1,907	$ 6,972,472	$ 5,554,202

The accompanying notes are an integral part of this financial statement.

Combined Statement of Changes in Financial Position
All Proprietary Fund Types and Similar Trust Funds

For the Fiscal Year Ended June 30, 1987
(Dollars in Thousands)

	Proprietary Fund Types		Fiduciary Fund Types		Totals (Memorandum Only)	
	Enterprise	Internal Service	Pension Trust	Non-expendable Trust	Year Ended June 30, 1987	June 30, 1986
Sources of Working Capital:						
Operations:						
Net Income (Loss):						
State	$ 1,655	$ 2,276	$ 1,375,714	$ 208	$ 1,379,853	$ 963,026
Public Benefit Corporations	38,417	—	—	—	38,417	(166,630)
Total Income (Loss)	40,072	2,276	1,375,714	208	1,418,270	796,396
Items Not Requiring Working Capital:						
Depreciation	3,180	14,074	135	—	17,389	15,475
Amortization	1,443	—	(8,096)	—	(6,653)	(1,362)
Loss (Gain) on Sale of Fixed Assets	4	(161)	—	—	(157)	204
Compensated Absences	219	188	31	—	438	854
Total Working Capital Provided by Operations	44,918	16,377	1,367,784	208	1,429,287	811,567
Sale of Fixed Assets	101	2,419	—	—	2,520	285
Increase in Contributed Capital	10,620	—	—	—	10,620	2,614
Increase in Long-Term Debt Payable:						
State	—	2,692	—	—	2,692	14,189
Public Benefit Corporations	290,840	—	—	—	290,840	589,602
Decrease in Bond Issuance Expense	—	—	—	—	—	73
Decrease in Long-Term Receivables	4,877	—	—	—	4,877	—
Decrease in Long-Term Investments	515,875	—	—	—	515,875	—
Increase in Retained Earnings Due to Prior-Period Adjustment	—	—	2,203	—	2,203	195
Total Sources of Working Capital	867,231	21,488	1,369,987	208	2,258,914	1,418,525
Uses of Working Capital:						
Acquisition of Property, Plant, and Equipment	6,155	12,970	201	—	19,326	25,903
Increase in Bond Issuance Expense	364	—	—	—	364	781
Increase in Systems Development Costs	9,958	—	—	—	9,958	—
Increase in Long-Term Investments	104,089	—	1,425,538	261	1,529,888	621,300
Increase in Long-Term Receivables	92,487	—	—	—	92,487	10,956
Decrease in Long-Term Debt Payable	1,075	7,132	—	—	8,207	27,807
Decrease in Contributed Capital	882	—	—	—	882	—
Decrease in Retained Earnings Due to Prior-Period Adjustment	—	—	2,203	—	2,203	1,081
Decrease in Capital Leases	—	361	—	—	361	375
Total Uses of Working Capital	215,010	20,463	1,427,942	261	1,663,676	688,203
Net Increase (Decrease) in Working Capital	$ 652,221	$ 1,025	$ (57,955)	$ (53)	$ 595,238	$ 730,322
Elements of Net Increase (Decrease) in Working Capital:						
Cash and Cash Equivalents	$ 668,744	$ 539	$ (60,911)	$ (51)	$ 608,321	$ 706,503
Receivables:						
State	(200)	1,398	3,437	—	4,635	11,941
Public Benefit Corporations	4,006	—	—	—	4,006	40,587
Inventories	72	55	—	—	127	(843)
Prepaid Expenses	194	39	—	—	233	(156)
Payables, Deposits, and Other Liabilities	(18,061)	460	(481)	(2)	(18,084)	(12,954)
Deferred Revenue	(185)	(1,466)	—	—	(1,651)	(1,464)
Due to Program Participants, Escrows, and Providers	(2,349)	—	—	—	(2,349)	(13,422)
Due from Other Funds	—	—	—	—	—	130
Net Increase (Decrease) in Working Capital	$ 652,221	$ 1,025	$ (57,955)	$ (53)	$ 595,238	$ 730,322

The accompanying notes are an integral part of this financial statement.

Combined Statement of Changes in Fund Balances
Higher Education Fund

For the Fiscal Year Ended June 30, 1987
(Dollars in Thousands)

	Current Funds		Loan Funds	Endowment and Similar Funds
	Unrestricted	Restricted		
Revenues and Other Additions:				
Unrestricted Current Funds Revenues	$ 994,324	$ —	$ —	$ —
Federal Appropriations	—	11,342	—	—
Federal Grants and Contracts–Restricted	—	180,890	773	9
State Grants and Contracts	—	39,765	—	—
Local Grants and Contracts–Restricted	—	11,460	—	—
Private Gifts, Grants, and Contracts–Restricted	—	62,434	75	7,289
Investment Income	—	5,224	507	401
Endowment Income	—	11,130	71	—
Interest on Loans Receivable	—	—	1,613	—
U.S. Government Advances	—	—	495	—
Expended for Plant Facilities (including $76,861 charged to current funds)	—	—	—	—
Retirement of Indebtedness (including $923 charged to current funds)	—	—	—	—
Realized Gain on Investments	—	12	10	52,340
Unrealized Gain on Investments	—	—	—	803
Other Sources	—	9,475	123	760
Total Revenues and Other Additions	994,324	331,732	3,667	61,602
Expenditures and Other Deductions:				
Educational and General Expenditures	1,129,264	289,012	—	—
Auxiliary Enterprise Expenditures	211,895	308	—	—
Hospital Expenditures	377,592	274	—	—
Independent Operations Expenditures	—	109	—	—
Indirect Costs Recovered	—	33,540	43	—
Refunded to Grantors	—	122	192	—
Loan Cancellations	—	—	1,456	—
Administrative and Collection Costs	—	35	668	—
Expended for Plant Facilities (including non-capitalized expenditures of $7,105)	—	—	—	—
Retirement of Plant Facilities	—	—	—	—
Retirement of Indebtedness	—	—	—	—
Interest on Indebtedness	—	—	—	—
Write-Down of Plant Assets	—	—	—	—
Other	—	426	—	1,038
Total Expenditures and Other Deductions	1,718,751	323,826	2,359	1,038
Transfers Among Funds:				
Operating Transfers In	939,009	—	—	—
Mandatory:				
Debt Service and Other	(159,054)	9,494	591	6
Nonmandatory:				
Debt Service and Other	(5,454)	(540)	(1)	(777)
(To)/From Other Funds	(22,738)	(3,433)	331	1,946
Total Transfers	751,763	5,521	921	1,175
Net Increase (Decrease) for the Year	27,336	13,427	2,229	61,739
Fund Balance, July 1, as adjusted (Note 5)	108,004	87,609	59,191	397,044
Fund Balance, June 30	$ 135,340	$ 101,036	$ 61,420	$ 458,783

The accompanying notes are an integral part of this financial statement.

Plant Funds				Total
Unexpended	Renewals and Replacements	Retirement of Indebtedness	Investment in Plant	Year Ended June 30, 1987
$ —	$ —	$ —	$ —	$ 994,324
—	—	—	—	11,342
512	66	9	—	182,259
—	2,484	—	—	42,249
1,160	12	—	—	12,632
4,963	—	577	1,709	77,047
2,841	60	11,154	—	20,187
149	—	—	—	11,350
—	—	—	—	1,613
—	—	—	—	495
—	—	—	183,345	183,345
—	—	—	24,045	24,045
—	—	—	—	52,362
—	—	—	—	803
—	244	1,182	6,692	18,476
9,625	2,866	12,922	215,791	1,632,529
—	—	—	—	1,418,276
—	—	—	—	212,203
—	—	—	—	377,866
—	—	—	—	109
—	—	—	—	33,583
—	—	—	—	314
—	—	—	—	1,456
—	—	1,484	—	2,187
109,165	4,424	—	—	113,589
—	—	—	15,247	15,247
—	—	23,122	—	23,122
—	—	37,429	—	37,429
—	—	—	2,382	2,382
875	62	1,564	5,494	9,459
110,040	4,486	63,599	23,123	2,247,222
—	—	—	—	939,009
76,617	71	72,275	—	—
1,670	12	5,084	6	—
24,576	225	(368)	(539)	—
102,863	308	76,991	(533)	939,009
2,448	(1,312)	26,314	192,135	324,316
67,154	4,427	82,319	1,885,619	2,691,367
$ 69,602	$ 3,115	$ 108,633	$ 2,077,754	$ 3,015,683

Combined Statement of Current Funds Revenues, Expenditures, and Other Changes Higher Education Fund

For the Fiscal Year Ended June 30, 1987
(Dollars in Thousands)

	Current Funds		Totals Year Ended	
	Unrestricted	Restricted	June 30, 1987	June 30, 1986
Revenues:				
Student Tuition and Fees	$ 333,907	$ 13	$ **333,920**	$ 310,478
Federal Government Appropriations	33	15,629	**15,662**	15,431
Federal Grants and Contracts	30,767	149,858	**180,625**	177,865
State Grants and Contracts	—	40,014	**40,014**	78,233
Local Grants and Contracts	1,256	11,147	**12,403**	11,147
Private Gifts, Grants, and Contracts	5,980	52,227	**58,207**	50,146
Endowment Income	4,931	9,677	**14,608**	14,165
Sales and Services of Educational Departments	10,205	226	**10,431**	10,413
Sales and Services of Auxiliary Enterprises	250,293	—	**250,293**	223,141
Sales and Services of Hospitals	324,776	—	**324,776**	297,367
Sales and Services of Independent Operations	—	109	**109**	100
Sales and Services of Vending Commissions	1,050	—	**1,050**	602
Investment Income	851	216	**1,067**	1,102
Indirect Cost Recovery	22	—	**22**	32
Other Sources	30,253	1,093	**31,346**	33,901
Total Current Revenues	994,324	280,209	**1,274,533**	1,224,123
Expenditures and Mandatory Transfers:				
Educational and General:				
Instruction	571,282	43,175	**614,457**	557,035
Research	41,408	131,991	**173,399**	161,387
Public Service	33,397	25,742	**59,139**	55,724
Academic Support	147,038	6,726	**153,764**	138,667
Student Services	62,373	5,426	**67,799**	62,208
Institutional Support	153,785	5,265	**159,050**	145,842
Operation and Maintenance of Plant	109,609	1,271	**110,880**	99,336
Scholarships and Fellowships	10,372	68,813	**79,185**	79,396
Financial Assistance for Educational and General Services	—	603	**603**	647
Total Educational and General	1,129,264	289,012	**1,418,276**	1,300,242
Mandatory Transfers for Debt Service and Other	120,758	(9,494)	**111,264**	23,238
Total Educational and General Expenditures and Mandatory Transfers	1,250,022	279,518	**1,529,540**	1,323,480
Auxiliary Enterprises:				
Operating Expenditures	211,895	308	**212,203**	198,285
Mandatory Transfers for Debt Service	27,340	—	**27,340**	23,452
Total Auxiliary Enterprise Expenditures and Mandatory Transfers	239,235	308	**239,543**	221,737
Hospitals and Independent Operations:				
Operating Expenditures	377,592	383	**377,975**	351,639
Mandatory Transfers for Debt Service	10,956	—	**10,956**	8,891
Total Hospital and Independent Operations Expenditures and Mandatory Transfers	388,548	383	**388,931**	360,530
Total Expenditures and Mandatory Transfers	1,877,805	280,209	**2,158,014**	1,905,747
Other Transfers and Additions (Deductions):				
Operating Transfers In	939,009	—	**939,009**	728,936
Excess of Restricted Receipts Over Transfers to Revenues	—	17,522	**17,522**	24,408
Refunded to Grantors	—	(122)	**(122)**	(177)
Nonmandatory Transfers	(28,192)	(3,973)	**(32,165)**	(32,649)
Net Increase (Decrease) in Fund Balance	$ 27,336	$ 13,427	$ **40,763**	$ 38,894

The accompanying notes are an integral part of this financial statement.

Notes to the Financial Statements

Notes to the Financial Statements

June 30, 1987

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The accompanying financial statements have been prepared in conformance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB), and the Financial Accounting Standards Board (FASB), and in accordance with the National Association of College and University Business Officers' (NACUBO) *College and University Business Administration* (1982) and the American Institute of Certified Public Accountants' (AICPA) *Audits of Colleges and Universities* (1975) for institutions of higher education.

B. Reporting Entity

For financial reporting purposes, the Commonwealth of Virginia includes all funds and account groups, and all agencies, boards, commissions, and authorities over which the Commonwealth exercises oversight authority, and whose financial transactions are recorded in the State accounting system or included through year-end adjustments.

In compliance with the National Council on Governmental Accounting (NCGA) Statement 3, "Defining the Governmental Reporting Entity," as recognized by GASB Statement 1, the Commonwealth has included in the general purpose financial statements several organizations (component units) that meet the oversight criteria established by Statement 3. These component units include:

- Virginia Housing Development Authority (VHDA)
- Virginia Education Loan Authority (VELA)
- Virginia International Terminals, Inc. (VIT)
- Virginia Resources Authority (VRA)
- State Education Assistance Authority (SEAA)
- Virginia Public Building Authority (VPBA)
- Virginia Public School Authority (VPSA)
- Center for Innovative Technology (CIT)

In addition, activity of the Virginia College Building Authority (VCBA) that relates to the financing of equipment purchases by State-supported colleges and universities is included in the financial statements. The Authority issues tax-free bonds to provide financial assistance to private institutions of higher education to finance capital construction. This indebtedness does not constitute a debt of the Authority or the Commonwealth and is not included in the financial statements. The outstanding principal of this debt of the Authority issued to assist private institutions was $64,665,000 at June 30, 1987.

The criteria for including an organization in the Commonwealth's reporting entity are determined on the basis of accountability for fiscal matters, designation of management, ability to significantly influence operations, selection of governing authority, scope of public service, and any special relationships. The inclusion of an organization in the general purpose financial statements in no way alters the defined prerogatives of the management of the organizations, the organization's charter, statutory authority, or legal characteristics or conditions. The Commonwealth has no responsibility for any debt of these organizations nor does the Commonwealth claim any right to the assets of these organizations.

The VHDA, VELA, VIT, and VRA have been audited by independent certified public accounting firms and the amounts reported are based solely on the audited financial statements provided by those organizations. The VPBA, VPSA, VCBA, CIT, and SEAA have been audited by the Auditor of Public Accounts of the Commonwealth of Virginia. The VPSA, VELA, VHDA, VIT, VRA, and SEAA are reported entirely within Enterprise Funds—Public Benefit Corporations. The activity of the VPBA is reported in the Debt Service and Capital Projects Funds, and the related long-term debt is reported in the General Long-Term Debt Account Group, and the related fixed assets in the General Fixed Assets Account Group. The operations of the CIT are reported in the Higher Education Fund, as is the activity of the VCBA relating to State-supported institutions of higher education.

Furthermore, in compliance with NCGA Statement 3, the Commonwealth discloses two types of organizations which have been excluded from the reporting entity.

(1.) Authorities created by the State, with respective Boards appointed by the Governor where, in the judgment of the Comptroller, the activities of the authorities are not principally for the benefit of the Commonwealth and are not generally available to its citizens are:

a. The Virginia Small Business Financing Authority was created by the Virginia Small Business Financing Act of 1984 (Chapter 28, Title 9, *Code of Virginia*) to assist small business of the Commonwealth in obtaining financing for new business or the expansion of existing business. The Authority provides financial assistance to small business by providing loans, guarantees, insurance and other assistance, thereby encouraging the investment of private capital in small business in the Commonwealth. The Authority began issuing debt in December, 1984. The outstanding principal of this debt at June 30, 1987, was $104,218,598. Also, the Authority guarantees loans made to small businesses by financial institutions. The Authority's liability for the total of all loans guaranteed is limited to its net assets. As of June 30,

1987, the Authority had loan guarantees totaling $180,000 and net assets of $1,101,784.

b. The Virginia Agricultural Development Authority was created by the Virginia Development Authority Act of 1981 (Chapter 5.1, Title 3.1, *Code of Virginia*) to assist in providing credit for the purchase of farm equipment and real estate at interest rates lower than those available in the conventional farm credit markets. This objective is accomplished by (1) making loans to lenders for use by those lenders in making loans for agricultural enterprises and (2) purchasing existing loans from lending institutions. The Authority had one debt issuance in April, 1983. The outstanding principal of this debt at June 30, 1987, was $1,282,120.

(2.) Non-State agencies have also been excluded from the reporting entity. These activities fall into two categories: (1) public and private non-profit organizations and (2) industrial development authorities.

State funding provided to the public and private non-profit organizations is discretionary or subject to the eligibility rules governing funding support. The non-profit corporations are governed and controlled by their boards, members, or by-laws with no provision for Commonwealth control and, for several of these entities, assets remaining at dissolution are to be transferred to other non-profit organizations. The public non-profit organizations are local governments which receive funding under State programs.

Industrial development authorities have been excluded because they are specifically created and operated by actions of local governments, receive no Commonwealth support, and assets rest with the creating local governments upon dissolution.

C. Fund Structure

The accompanying financial statements are presented in four classifications of funds and two account groups. The fund classifications include governmental funds, proprietary funds, fiduciary funds, and the Higher Education Fund. Account groups are presented for general fixed assets and general long-term debt. The fund classifications and a description of each existing fund type and account group follow:

(1.) **Governmental Funds**

Transactions related to the acquisition, use, and balances of the government's expendable financial resources received and used for those services traditionally provided by a state government, which are not accounted for in other funds, are accounted for in governmental funds. The governmental fund measurement focus is based upon determination of financial position (sources, uses, and balances of financial resources), rather than on net income determination. Governmental funds include:

a. **General Fund**—Reflects transactions related to resources received and used for those services traditionally provided by a state government, which are not accounted for in any other fund. These services include general government, legislative, public safety, judicial, health and mental health, human resources, licensing and regulation, and primary and secondary education.

b. **Special Revenue Funds**—Reflect transactions related to resources received and used for restricted or specific purposes. The Special Revenue Funds include transactions related to resources used in support of public health services, welfare costs, agriculture, state park services, and highway maintenance and construction. Special Revenue Funds are combined on a functional basis in accordance with NCGA Statement 7.

c. **Debt Service Fund**—Reflects transactions related to resources retained and used for the payment of interest and principal on those long-term obligations recorded in the General Long-Term Debt Account Group.

d. **Capital Projects Fund**—Reflects transactions related to resources received and used for the acquisition, construction, or improvement of governmental fund capital facilities.

(2.) **Proprietary Funds**

Transactions related to commercial activities operated by the Commonwealth are accounted for in the proprietary funds. Proprietary funds include Enterprise Funds and Internal Service Funds. The Enterprise Funds are separated into State and Public Benefit Corporations. Proprietary funds differ from governmental funds in that the focus is on income measurement which, together with the maintenance of equity, is an important financial indicator. The activities comprising the proprietary funds include:

a. **Enterprise Funds**

1. **Enterprise Funds–State**—Reflect transactions related to resources received and used for financing self-supporting activities of the Commonwealth that offer products and services on a user-charge basis to the general public. These funds reflect the activities of:

   - The Department of Alcoholic Beverage Control (ABC), which operates facilities for the distribution and sale of distilled spirits and wine to the general public, and enforces the Commonwealth's alcoholic beverage statutes;
   - The Virginia Industries for the Blind, a unit within the Virginia Department for the Visually Handicapped, which manufactures products for sale to federal, state, and local governments, certain private organizations, and the general public;
   - The gift shop and food services activities of the Virginia Museum of Fine Arts; and,
   - The Division of Legislative Services, which accounts for sales of the *Virginia Register*, a publication which lists all proposed and final State agency regulations.

2. **Enterprise Funds–Public Benefit Corporations**—Reflect transactions which are includable in the Commonwealth's financial reporting entity under the provisions of NCGA Statement 3, "Defining the Governmental Reporting Entity," as recognized by GASB Statement 1. The Commonwealth has no responsibility for the debt of Public Benefit Corporations nor does the Commonwealth claim any right to the assets of these organizations. The Public Benefit Corporations are:

   - Virginia Housing Development Authority which is empowered by the *Code of Virginia* to finance housing intended for occupancy or ownership, or both, by families of low and moderate income;
   - Virginia Education Loan Authority which is empowered by the *Code of Virginia* to provide loans to eligible students at institutions of higher education and vocational schools;
   - Virginia International Terminals, Incorporated which operates several marine terminals for the Virginia Port Authority;
   - Virginia Resources Authority which encourages the investment of both public and private funds in the water and sewer projects of local governments. VRA also makes loans and grants available to finance these projects;
   - State Education Assistance Authority which guarantees obligations of students and their parents at public or private institutions of higher education; and
   - Virginia Public School Authority which is empowered by the *Code of Virginia* to issue bonds to finance school capital projects of cities, counties, and towns of the Commonwealth.

b. **Internal Service Funds**—Reflect transactions related to the financing and sale of goods or services provided by agencies of the Commonwealth to other agencies and institutions of the Commonwealth. The goods and services furnished are charged to the recipient agency or institution on a cost-reimbursement basis.

(3.) **Fiduciary Funds**

Transactions related to assets held in a trust or agency capacity by the Commonwealth are accounted for in fiduciary funds. The Commonwealth's fiduciary funds include Pension Trusts, Nonexpendable Trust, Expendable Trusts, and Agency Funds as follows:

a. **Pension Trust Funds**—Reflect the transactions, assets, liabilities, and fund equities of Commonwealth-administered retirement systems (see Note 6).

b. **Nonexpendable Trust Fund**—Reflects the transactions, assets, liabilities, and fund equity of the trust of the Virginia Museum of Fine Arts whose principal must be maintained intact and whose income is used to fund activity of expendable trusts at the Museum.

c. **Expendable Trust Funds**—Reflect the transactions, assets, liabilities, and fund equities of trusts whose principal and income may be used for the purposes of the trust. These trusts include those for educational programs at museums, funds for unemployment, and realty loans for low and moderate income farmers. The numerous expendable trust activities of the Commonwealth are combined on a functional basis in accordance with NCGA Statement 7.

d. **Agency Funds**—Reflect amounts held in trust by the Commonwealth for others. Agency funds include those funds established to account for the collection of taxes and fees for distribution to localities and other states, employee benefits, the deferred compensation plan, deposits of insurance carriers, and investments of local governments with the State Treasurer.

(4.) **Account Groups**

Account groups are used to establish accounting control and accountability for the Commonwealth's general fixed assets, and the unmatured principal of its general long-term debt and other long-term obligations of governmental funds. General fixed assets do not represent financial resources available for appropriation and expenditure, nor does the unmatured principal of general long-term debt and other long-term obligations require current appropriation and expenditure of governmental fund financial resources.

a. **General Fixed Assets Account Group** accounts for general fixed assets of the governmental fund types and similar trust funds. Fixed assets of the proprietary funds and similar trust funds and the Higher Education Fund are accounted for in their respective funds.

b. **General Long-Term Debt Account Group** accounts for obligations that are not recorded as current liabilities in governmental funds. These obligations included those that are backed by the full faith and credit of the Commonwealth—unmatured and unredeemed long-term general obligation bonds payable, obligations for accrued employee sick and vacation leave, and capital lease obligations—as well as those obligations of the Virginia Public School Authority, the Virginia Port Authority, and the Norfolk-Virginia Beach Toll Road which are not backed by the Commonwealth, but are included in the Commonwealth's reporting entity. Unmatured long-term debt relating to obligations of the proprietary funds and similar trust funds and the Higher Education Fund is accounted for within the respective funds.

(5.) **Higher Education Fund**

The Higher Education Fund reflects transactions related to resources received and used for the operation of the Commonwealth's institutions of higher education and related medical teaching hospitals. The Higher Education Fund is an aggregation of the following funds:

a. **Current Funds**—Account for resources that will be expended for operating purposes. Funds over which the governing boards retain full control are accounted for as current unrestricted. Current restricted funds may only be utilized in accordance with externally-restricted purposes.

b. **Loan, Endowment, and Agency Funds**—Account for assets held in a fiduciary capacity.

c. **Plant Funds**—Account for assets that have been or will be invested in property, plant, and equipment and that are reserved to retire debt issued to finance plant facilities.

D. **Basis of Accounting for Funds**

Governmental Fund Types, Expendable Trust Funds, and Agency Funds—The accounts of the General, Special Revenue, Debt Service, Capital Projects, Expendable Trust, and Agency Funds are presented on a modified accrual basis. Under the modified accrual basis of accounting, revenues and other financial resources are recognized in the accounting period in which they become both measurable and available to finance operations of the fiscal year or liquidate liabilities existing at fiscal year end. Material revenues susceptible to accrual include federal grants and income and sales taxes. Expenditures and other uses of financial resources are recognized when the related liability is incurred, except for items that are not planned to be liquidated with expendable available resources, such as the long-term portion of the liability for compensated absences and capital lease obligations.

Proprietary Fund Types, Pension and Nonexpendable Trust Funds—The accounts of these funds are presented on the accrual basis. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when the liability is incurred.

Higher Education Fund—The accounts are presented on an accrual basis with the exception of the following:

(1.) Depreciation expense is not recorded on plant fund assets; and

(2.) Revenues and expenditures of an academic term which is conducted over a fiscal year end are reported totally in the fiscal year in which the program is predominately conducted.

E. **Budget**

The Commonwealth's budget is prepared principally on a cash basis and represents appropriations as authorized by the General Assembly. Accordingly, data presented for both budget and actual in the Combined Statement of Revenues, Expenditures, and Changes in Fund Balances—Budget and Actual—Budgetary Basis—General and Special Revenue Funds is on a cash basis.

The Governor, as required by the *Code of Virginia*, submits a budget composed of all proposed expenditures for the State, and of estimated revenues and borrowings for a biennium to the General Assembly. Budgets are adopted for the General and Special Revenue Funds. Formal budgetary integration is not employed for the Capital Projects and Debt Service Funds because effective budgetary control is alternatively achieved through General Fund appropriations. Budgeted expenditures of the General and Special Revenue Funds are made pursuant to appropriations in the annual budget, as approved by the General Assembly and signed into law by the Governor. The aggregate amount of the biennial budget is the legal level of budgetary control. For management control purposes, the budget is controlled at the program level. The Governor may transfer an appropriation within a State agency or from one State agency to another, provided that total fund appropriations, as contained within the budget, are not exceeded. Increases in General Fund appropriations must be approved by the General Assembly. For the fiscal year ended June 30, 1987, no increases in General Fund appropriations were approved. Appropriations for programs funded from Special Revenue Funds may allow expenditures in excess of the original appropriations to the extent that revenues of the funds exceed original budget estimates and such additional expenditures are approved by the Governor through supplemental appropriations. Budgetary amounts shown in the financial statements represent the total of the original budgeted amounts and all supplemental appropriations. Unexpended appropriations at the end of the fiscal year generally lapse.

The following schedule reconciles the original appropriated budget to the final adjusted budget for the General Fund and all Special Revenue Funds:

	General Fund	Special Revenue Funds
Original Appropriation (1)	$4,622,257,816	$2,742,836,304
Supplemental Appropriations:		
Reappropriations (2)	11,509,665	719,381
Subsequent Executive (3)	15,236,678	427,610,518
Subsequent Legislative (4)	22,495,488	179,756,553
Transfers (5)	719,484,334	8,149,911
Appropriations, as adjusted	$5,907,034,337	$3,342,773,045

(1) Represents the original budget appropriated through Chapter 643, 1986 Acts of Assembly.

(2) Actions taken to reappropriate any unexpended balances per authority of the language in the Appropriations Act.

(3) Actions taken by the Governor to carry forward any prior year unexpended balances (General Fund) and actions taken to appropriate any additional revenues collected so that they can be legally spent (Special Revenue Funds).

(4) Actions taken by the General Assembly to adjust the original budget, through Chapter 723, 1987 Acts of Assembly.

(5) Represents transfers required by the Appropriations Act.

F. **Investments**

Investments are principally comprised of monies held by Public Benefit Corporations, the endowment funds of Higher Education, and the State Treasurer for the General Fund, Capital Projects Fund, and the Virginia Supplemental Retirement System (VSRS).

Investments of the VSRS, except for common stocks and real estate pool participations, are stated at cost or amortized cost and are reflected in the Pension Trust Funds. Common stocks are carried at the lower of cost or market. The cost of investments sold is the average cost of the aggregate holding of the specific investment sold. Real estate pool participations are carried at values adjusted to recognize VSRS's share of net income or loss in the period in which they are reported by the pools.

Investments held by the Public Benefit Corporations are carried at amortized cost rather than at the lower of cost or market, in that it is generally management's intention to hold them to maturity. Investment of the Virginia Resources Authority are carried at cost, which approximates market.

Investments reflected in the Higher Education Fund are valued at market value. Mortgages held for investment are recorded at book value, representing principal amounts due. Investments in real estate are recorded at book value. Gifts are recorded at fair market value at the date of acquisition.

Investments of the General Fund and Capital Projects Fund are valued at cost.

G. **Inventories**

Inventories of materials and supplies of governmental funds are recorded as expenditures when purchased. At year end, there were no significant amounts of inventory of governmental fund type activities. Inventories maintained by Public Benefit Corporations and Internal Service Funds are stated at the lower of cost or market value using first-in first-out methodology. The Department of Alcoholic Beverage Control and the Expendable Trusts administered by the Department of Corrections maintain inventories at the lower of average cost or market. The Virginia Industries for the Blind maintains inventories at cost using first-in first-out methodology. The Virginia Museum of Fine Arts also maintains inventories at cost. Institutions of Higher Education use several methods for costing inventories, including cost, using first-in first-out methodology, and the lower of cost or market using first-in-first-out or weighted average methodology.

H. **Receivables**

Receivables in the governmental funds consist primarily of the accrual of taxes and federal revenue and receivables of the State's mental health and mental retardation facilities. Receivables of the Enterprise Funds are loans of the Public Benefit Corporations. Receivables of Trust and Agency Funds are primarily the accrual of member and employer contributions in the Pension Trust Funds and the accrual of local sales taxes in the Agency Funds. Higher Education receivables are primarily receivables of the State's teaching hospitals. Receivables are recorded net of allowances for doubtful accounts.

I. **Loans Receivable From Proprietary Funds**

Long-term loans receivable of the General Fund (Loans Receivable From Proprietary Funds) of $21,932,512 represent working capital advances of $6,000,000 to the Enterprise Funds and $4,062,512 to the Internal Service Funds to finance inventories and to provide working capital and $11,870,000 to the Internal Service Funds to provide collateral as security for payment of the Commonwealth's indebtedness under its workers' compensation insurance policy for policy years 1983 through 1986. The liabilities associated with the advances are reflected in the Enterprise Funds and Internal Service Funds as "Loans Payable to the General Fund."

During its 1984 Session, the General Assembly required that advances originally made of $5,375,000 to the Internal Service Funds be repaid in equal installments over a period ranging from ten to fifteen years. The first repayments were made on July 31, 1984. The $6,000,000 advance to the Enterprise Funds – State represents the unpaid balance at June 30, 1987, of a $10,200,000 loan to the Department of Alcoholic Beverage Control. Payments in the amount of $1,000,000 are to be made each year until repayment is complete. The long-term loan to the Internal Service Fund of the Department of General Services, Division of Risk Management of $11,870,000 represents amounts loaned to the Division to provide collateral to Traveler's Indemnity Company (Traveler's) as security for payment of the Commonwealth's indebtedness under its workers' compensation insurance policy with Traveler's for policy years 1983 through 1986. The amount of the collateral represents the estimated indebtedness of the Commonwealth under the policy. The collateral will decrease over time as the claims for the years 1983 through 1986 are paid through 1994. As the collateral requirement is reduced, the loan will be repaid to the General Fund. Advances to all proprietary funds are not available for expenditure by the General Fund and, accordingly, the fund balance of the General Fund has been reserved for these advances.

J. **Property, Plant, and Equipment**

Fixed assets of governmental funds are recorded as expenditures at the time of purchase and capitalized in the General Fixed Asset Account Group. For financial reporting purposes, depreciation is not recorded on general fixed assets. Fixed assets of the proprietary funds are capitalized in the fund in which they are utilized and depreciated on the straight line basis over their useful lives. Fixed assets of colleges and universities are capitalized in the Higher Education Fund. Depreciation is not provided on these assets.

Fixed assets are stated at historical cost or, in some instances, estimated historical cost. Donated fixed assets are stated at fair market value at the time of donation. The Commonwealth capitalizes all fixed assets which have a value or cost in excess of $500 at the date of acquisition and have an expected useful life of two or more years. Infrastructures, including highways, bridges, and rights-of-way, are not capitalized. The estimated lives of fixed assets are as follows:

	Years
Buildings	5-60
Equipment	2-30
Improvements other than Buildings	5-30

K. **Systems Development Costs**

In accordance with SFAS Number 2, "Accounting for Research and Development Costs," the Virginia Education Loan Authority (VELA) capitalizes and amortizes over five years the research and development costs relating to the creation of its automated student loan servicing systems.

L. **Encumbrances**

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, may be utilized by the State's agencies and universities as an extension of formal budgetary integration in the

Commonwealth's accounting system. Because the *Code of Virginia* does not permit the continuance of spending authority beyond the balance sheet date, encumbered amounts are eliminated at the end of the year and, accordingly, are not included in the accompanying financial statements.

M. **Tax Refunds Payable**

Tax refunds payable represent refunds due on tax returns filed for the calendar year ended December 31, 1986. The tax return deadline is May 1 of each year for the preceding calendar year.

N. **Deferred Revenue**

Deferred revenue represents monies received but not yet earned as of June 30, 1987. The majority of this amount is reported in the Higher Education Fund, where it is primarily composed of student tuition fees received in advance of the semester; in the Enterprise Funds, where it is the deferral of fees related to mortgage loans; and in the Special Revenue Funds, where it is composed primarily of federal grant money received but not spent.

O. **Deferred Credit**

The deferred credit represents the deferral of income taxes withheld that have not met the revenue recognition criteria and may ultimately be refunded upon the filing of income tax returns in subsequent years. This amount is calculated annually using statistical data derived from income taxes filed in previous years.

P. **Long-Term Liabilities**

Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-Term Debt Account Group. Expenditures for principal and interest payments for governmental fund general obligation bonds and revenue bonds are recognized in the Debt Service Fund when paid. Long-term liabilities expected to be financed from the proprietary funds and the Higher Education Fund, as well as the related interest payments, are accounted for in those funds (see Note 4).

Q. **Reserved Fund Balance**

Reserved Fund Balance indicates that portion of fund balance which is not available to fund operations or is legally segregated for specific future use.

R. **Unreserved, Designated Fund Balances**

Designations of fund balance are established to reflect tentative plans for future utilization of current financial resources. It is the policy of the Commonwealth to designate the portion of fund balance set aside by the General Assembly through the Appropriations Act to fund tentative but approved future plans. For years ending in the middle of a biennium, unexpended appropriations approved by the Governor to be used to fund expenditures of the ensuing fiscal year are also reflected through a designation of fund balance. It is the policy of the Commonwealth to limit such designations in the event that their accumulation and presentation would cause a negative unreserved, undesignated fund balance to occur.

S. **Unreserved, Undesignated Fund Balance**

The unreserved, undesignated fund balance is the amount of fund balance remaining from operations of the current and prior years, net of amounts established as designated fund balance described in note 1.R above.

T. **Adjustments from Budget to GAAP**

To meet information needs within the Commonwealth, fund balances of the General and Special Revenue Funds on the Combined Balance Sheet are initially presented on the budgetary basis of accounting and then adjusted to a modified accrual basis for the presentation of total fund equity. Accordingly, amounts reported on the Combined Balance Sheet as Adjustments from Budget to GAAP represent the cumulative effect on budgetary basis fund balance of adjustments to comply with the requirements of generally accepted accounting principles (GAAP).

The principal adjustments to comply with GAAP are the accrual of income and sales tax revenues, amounts due from the federal government under grants and contracts, accounts payable, and the deferral of income taxes withheld that have not met the revenue recognition criteria and may ultimately be refunded upon the filing of income tax returns.

Adjustments from Budget to GAAP are first applied to budgetary unreserved, undesignated fund balance, and the balance, if any, applied to unreserved, designated fund balance.

Fund balances of the General and Special Revenue Funds, when adjusted to a modified accrual basis, are as follows:

	General Fund	Special Revenue Funds
Fund Balances		
Reserved-Restricted	$ 21,933	$ —
Unreserved		
Designated	234,662	—
Undesignated-Unrestricted	—	616,605
Total Fund Equity	$256,595	$616,605

Reserved fund balance of the General Fund has been adjusted to reflect a $547,000 loan to the Virginia Resources Authority. This amount has been reclassified from a long-term asset to a current asset because it will be repaid in fiscal year 1988.

Fund equity of the Debt Service and Capital Projects Funds, the proprietary and fiduciary fund types, and the Higher Education Fund are presented in accordance with the basis of accounting for funds described in Note 1.C and, therefore, do not require adjustment.

U. **Accrued Vacation and Sick Leave Policy**

Each agency of the Commonwealth maintains records that reflect cumulative vacation and sick leave hours earned. Vacation and sick leave are accrued at the following rates:

Years of Service	Vacation Leave	Sick Leave
1 through 4	4 hours per semi-monthly period of service, to a maximum accumulation of 192 hours at the end of each calendar year	5 hours per semi-monthly period of service
5 through 9	5 hours per semi-monthly period of service, to a maximum accumulation of 240 hours at the end of each calendar year	5 hours per semi-monthly period of service
10 through 19	6 hours per semi-monthly period of service, to a maximum accumulation of 288 hours at the end of each calendar year	5 hours per semi-monthly period of service
20 and over	7 hours per semi-monthly period of service, to a maximum accumulation of 336 hours at the end of each calendar year	5 hours per semi-monthly period of service

Employees who leave State service after a minimum of five years employment are permitted to receive 25 percent of the value of their accumulated sick leave at their current earnings rate, to a maximum of $2,500. All employees leaving State service are paid for accrued vacation leave up to the maximum calendar year limit at their current earnings rate. In conformance with NCGA Statement 4, "Accounting and Financial Reporting Principles for Claims and Judgments and Compensated Absences," the dollar amounts related to hours earned are included in the accompanying financial statements. Accordingly, in the governmental fund types, amounts to be paid from expendable available resources are recognized as fund liabilities in the applicable governmental fund types. Amounts not payable from expendable available resources are reflected in the General Long-Term Debt Account Group. All amounts related to the proprietary funds and similar trust funds, and the Higher Education Fund are recognized in those funds. The liability at June 30, 1987, was computed using salary rates effective at June 30, 1987, and represents vacation, sick, and compensatory leave earned up to the allowable ceilings.

V. **Total Columns on Combined Statements**

The total columns on the Combined Financial Statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Information in these columns does not present consolidated financial position, results of operations, or changes in financial position. Interfund balances and transactions have not been eliminated.

Additionally, the 1986 totals presented in the "Memorandum Only" columns are included to provide a summarized comparison with comparable 1987 amounts and are not intended to present all information necessary for a fair presentation of financial position and results of operations in accordance with generally accepted accounting principles.

2. OTHER ACCOUNTING DISCLOSURES

A. **Budget**

The following schedule summarizes the budget for the biennium according to Chapter 643, 1986 Acts of Assembly, as revised by Chapter 723, 1987 Acts of Assembly. This budget analysis only reflects adjustments made to the original budget by the General Assembly through Chapter 723. This budget analysis also includes capital outlay activity of the General Fund which is reported in the Capital Projects Fund. It will, therefore, not agree to the Combined Statement of Revenues, Expenditures, and Changes in Fund Balances—Budget and Actual—Budgetary Basis—General and Special Revenue Funds which includes subsequent executive appropriations, reappropriations, and transfers, but excludes capital outlay.

Analysis of General Fund Budget
(Dollars in Millions)

	1986–88 Biennium	Biennium Breakdown FY 1987	FY 1988
Beginning Fund Balance			
Operating	$ 177.2	$ 177.2	
Capital Outlay Reappropriations	111.4	111.4	
Total	288.6	288.6	$ 206.9
Estimated Revenues	9,393.2	4,508.6	4,884.6
Other Financing Sources	179.6	106.8	72.8
Total Available Funds	9,861.4	4,904.0	5,164.3
Appropriations (a)	9,543.1	4,599.8	4,943.3
Capital Outlay	316.6	97.3	219.3
Ending Fund Balance	$ 1.7	$ 206.9	$ 1.7

(a) Appropriations consist primarily of operating expenditures and transfers to the Higher Education Fund.

Since the presentation of financial data on a cash basis differs from that presented under generally accepted accounting principles, a schedule reconciling the fund balance on a cash basis at June 30, 1987, to the fund balance on a modified accrual basis follows:

Fund Balance Comparison
Cash Basis to GAAP Basis
June 30, 1987
(Dollars in Thousands)

	General Fund	All Special Revenue Funds
Fund Balance, Cash Basis	$ 450,875	$ 666,848
Add (Deduct)		
Accrued Revenues		
Taxes	279,192	20,490
Tax Refunds	(34,278)	—
Other Revenue	14,205	147,304
Deferred Credit	282,004	—
Accrued Expenditures	(171,395)	(217,622)
Total Accruals	194,280	(49,828)
Fund Reclassifications -Budget to GAAP	—	415
Total Adjustments from Budget to GAAP	194,280	(50,243)
Fund Balance, GAAP Basis	$ 256,595	$ 616,605

Budgeted amounts presented in the Combined Statement of Revenues, Expenditures, and Changes in Fund Balances—Budget and Actual—Budgetary Basis—General and Special Revenue Funds reflect the original budget according to Chapter 643, 1986 Acts of Assembly, and all supplemental appropriations.

B. Cash and Investments

All deposits of the Commonwealth at June 30, 1987 are entirely insured by an agency of the federal government or collateralized under the Virginia Securities for Public Deposits Act, Section 2.1-359 et. seq. of the *Code of Virginia*.

Pursuant to the provisions of Section 2.1-329 of the *Code of Virginia*, cash as reported on the Combined Balance Sheet includes demand deposits, time deposits, and certificates of deposit with maturities of less than one year. Cash equivalents consist of short-term investments with maturities of less than one year.

The Commonwealth, with the exception of its retirement funds, is authorized to invest in U.S. government and agency securities, commercial paper, bankers' acceptances, repurchase agreements, and money market funds in accordance with the guidelines set forth in Section 2.1-328 et. seq. of the *Code of Virginia*. Certain investments held in trust by the Treasurer of Virginia in accordance with bond indentures and resolutions may have more restrictive investment policies. Investment policies of institutions of Higher Education are established by the institutions' governing boards.

The Board of Trustees of the Virginia Supplemental Retirement System has full power to invest and reinvest the pension trust funds in accordance with the guidelines set forth in Section 51.1-11.24 et. seq. of the *Code of Virginia*. Under these guidelines, the Board is authorized to invest in certain designated interest bearing obligations; prime quality commercial paper; interest bearing time deposits and certificates of deposit; certain port facilities; sites and buildings for occupancy and use by the General Assembly and State agencies in an amount not to exceed one hundred million dollars; and five percent of total trust fund investments in obligations not otherwise permitted under this section. The Board is also authorized to acquire and retain every kind of property and every kind of investment which men of prudence, discretion, and intelligence acquire or retain for their own account. Investments in common and preferred stocks are limited to sixty percent of total trust fund investments.

Long-term investments of $7,804,685,000, of which $5,750,015,000 is attributable to the Pension Trust Funds at June 30, 1987, are categorized below by credit risk. Also categorized by credit risk are short-term investments of $3,339,408,000, reported as cash equivalents on the combined balance sheet. Credit risk, as used below, refers to the risk that the Commonwealth may not be able to obtain possession of its investments in the event of default by a counterparty. The three types of credit risk are:

Category 1—Insured or registered securities or securities held by the Commonwealth or its agent in the Commonwealth's name.

Category 2—Uninsured and unregistered securities, with the securities held by the counterparty's trust department or agent in the Commonwealth's name.

Category 3—Uninsured and unregistered securities, with the securities held by the counterparty, or by its trust department or agent but not in the Commonwealth's name.

Investments
June 30, 1987
(Dollars in Thousands)

	Category 1	Category 2	Category 3	Carrying Amount	Market Value
U.S. Government Securities and U.S. Government Agency Securities	$ 3,531,861	$ 143,564	$ 87,221	$ 3,762,646	$ 3,763,663
Money Market Instruments	906,426	—	9,995	916,421	923,737
Common and Preferred Stocks	2,072,942	5,195	7,394	2,085,531	2,574,129
Corporate Notes	446,038	4,476	197	450,711	448,891
Corporate Bonds	665,795	13,881	1,317	680,993	668,382
Municipal Securities	270,876	—	—	270,876	271,098
Certificates of Deposit	187,336	—	5,000	192,336	192,336
Repurchase Agreements	122,563	168,951	410,863	702,377	702,377
	$ 8,203,837	$ 336,067	$ 521,987		
Mutual, Money Market, and Index Funds				1,860,962	2,292,523
Reverse Repurchase Agreements				23,534	23,534
Real Estate				196,767	219,905
Other				939	939
Total Investments				$ 11,144,003	$ 12,081,734

Investments of the Pension Trust Funds are approximately 53% of the investments that are in Category 1, 35% of the investments in Category 2, 21% of the investments in Category 3, 93% of the Mutual, Money Market, and Index Funds, and 81% of the Real Estate investments. The credit risk of investments of the Pension Trust Funds is similar to that of the oversight unit and, therefore, is not disclosed separately.

In addition to those investments scheduled above, assets of the Commonwealth held by various institutions in a custodial capacity have been disclosed separately as Cash and Investments with Trustees. Cash and Investments with Trustees consists of cash of $18.3 million, U.S. Government Securities and U.S. Government Agency Securities of $111.6 million, Repurchase Agreements of $22.8 million, Common and Preferred Stocks of $14.4 million, Corporate Bonds of $18.5 million, and Money Market Instruments of $8.8 million. With the exception of $12.5 million of the U.S. Government Securities which are insured and held in the Commonwealth's name, these investments are uninsured and held by a counterparty and not in the name of the Commonwealth. Cash and Investments with Trustees also includes $554.6 million of the Unemployment Compensation Fund which is held in trust by the U.S. Treasury.

The Commonwealth has engaged in reverse repurchase agreements during the course of the fiscal year. Section 2.1-328.8 of the *Code of Virginia* provides the authority and basis for engaging in these transactions. These agreements are included in Deposits Pending Distribution on the Combined Balance Sheet.

C. Receivables

The following schedule details the accounts, loans, taxes, and other receivables presented in the various funds:

Schedule of Receivables
June 30, 1987
(Dollars in Thousands)

	Accounts and Loans (Allowance for Doubtful Accounts)	Taxes (Allowance for Uncollected Accounts)	Other	Total
General Fund	$ 8,540	$ 279,192	$ 1,236	$ 288,968
	(627)	—	—	(627)
	7,913	279,192	1,236	288,341
Special Revenue Funds	250,647	20,490	—	271,137
	(44,932)	—	—	(44,932)
	205,715	20,490	—	226,205
Enterprise Funds—State	1,667	—	—	1,667
	—	—	—	—
	1,667	—	—	1,667
Enterprise Funds—Public Benefit Corporations	2,472,892	—	47,813	2,520,705
	(50)	—	—	(50)
	2,472,842	—	47,813	2,520,655
Internal Service Funds	13,342	—	—	13,342
	—	—	—	—
	13,342	—	—	13,342
Trust and Agency Funds	164,408	—	—	164,408
	—	—	—	—
	164,408	—	—	164,408
Higher Education Fund	187,281	—	59,895	247,176
	(57,778)	—	(3,438)	(61,216)
	129,503	—	56,457	185,960
Total Receivables Net	$ 2,995,390	$ 299,682	$ 105,506	$ 3,400,578

D. Property, Plant, and Equipment

The schedule that follows shows the breakdown of general fixed assets by category:

General Fixed Assets Account Group
June 30, 1987
(Dollars in Thousands)

Land	$ 176,860
Buildings	712,049
Equipment	412,157
Improvements Other than Buildings	128,742
Construction in Progress	18,895
Total General Fixed Assets	$1,448,703

The following schedule presents the changes in the General Fixed Assets Account Group by category:

Schedule of Changes in General Fixed Assets
(Dollars in Thousands)

	(Restated) Balance July 1, 1986	Acquired	Deleted	Balance June 30, 1987
Land	$ 176,535	$ 1,311	$ 986	$ 176,860
Buildings	713,582	1,607	3,140	712,049
Equipment	401,888	21,872	11,403	412,357
Improvements Other than Buildings	128,276	466	—	128,742
Construction in Progress	2,065	18,740	1,910	18,895
Total General Fixed Assets	$ 1,422,346	$ 43,796	$ 17,439	$ 1,448,703

The balances at July 1, 1986 have been restated to reflect valuation adjustments and assets previously not reported.

The following schedule details fixed assets that are not recorded in the General Fixed Assets Account Group:

Summary of Fixed Assets in Proprietary Funds, Fiduciary Funds, and the Higher Education Fund
June 30, 1987
(Dollars in Thousands)

	Enterprise Funds					
	State	Public Benefit Corporations	Total	Internal Service Funds	Trust and Agency Funds	Higher Education Fund
Land	$ 1,822	$ 2,517	$ 4,339	$ 1,079	$ —	$ 103,182
Buildings	10,788	5,878	16,666	2,750	—	1,366,467
Equipment	12,654	15,426	28,080	80,794	936	728,084
Improvements Other than Buildings	1	—	1	83	—	91,396
Construction in Progress	—	1,011	1,011	558	—	200,655
Livestock	—	—	—	—	—	1,161
Less: Accumulated Depreciation	(15,783)	(8,970)	(24,753)	(46,935)	—	—
Total Fixed Assets	$ 9,482	$ 15,862	$ 25,344	$ 38,329	$ 936	$ 2,490,944

E. Fund Balance Reserves and Designations

Reserved and designated fund balances are as follows:

Schedule of Reserved Fund Balances
June 30, 1987
(Dollars in Thousands)

	General Fund	Pension Trust Funds	Nonexpendable Trust Fund	Higher Education Fund
Reserved/Restricted For				
Working Capital Advances and Loans	$ 22,480	$ —	$ —	$ —
Member Reserve for Pension Benefits	—	1,696,283	—	—
Employer Reserve for Pension Benefits	—	3,117,279	—	—
Reserved/Restricted Gifts, Grants, and Contracts	—	—	1,907	101,036
Loan Funds	—	—	—	10,192
Endowment Funds	—	—	—	149,719
Total Reserved/Restricted Fund Balances	$ 22,480	$ 6,513,562	$ 1,907	$ 260,947

Schedule of Designated Fund Balances
June 30, 1987
(Dollars in Thousands)

	General Fund	Debt Service Fund	Capital Projects Fund
Designated For			
Reappropriation of 1987 Unexpended Balances	$ 290,434	$ —	$ —
Debt Service	—	29,971	—
Capital Project Construction	—	—	91,855
Total Designated Fund Balances	$ 290,434	$ 29,971	$ 91,855

F. Contributed Capital

Contributed capital in the Internal Service Funds totaling $5,695,692 consists of $1,600,000 in General Fund appropriations and $4,095,692 in contributed property and equipment. The property and equipment are recorded at historical cost. Contributed capital in the Enterprise Funds—State consists of $643,699 in contributed property and equipment of the Virginia Industries for the Blind. The property and equipment are recorded at historical cost. Contributed capital in the Enterprise Funds—Public Benefit Corporations consists of $12,847,828 in contributed property and equipment of the Virginia International Terminals, Inc. and the Virginia Resources Authority. The property and equipment are recorded at historical cost.

Schedule of Changes in Contributed Capital
(Dollars in Thousands)

	Enterprise Funds			
	State	Public Benefit Corporations	Total	Internal Service Funds
Contributed Capital, July 1, 1986	$ 1,526	$ 2,228	$ 3,754	$ 5,696
Increases	—	10,620	10,620	—
Decreases	882	—	882	—
Contributed Capital, June 30, 1987	$ 644	$ 12,848	$ 13,492	$ 5,696

3. DUE TO/FROM OTHER FUNDS

Interfund receivables are primarily composed of:

- General Fund—amounts due from quarterly ABC profits and taxes to be transferred from the Enterprise Funds and advances made to the Department of Information Technology, the Central Warehouse, and the Special Revenue Funds.
- Special Revenue Funds—temporary loans made from the Special Revenue Funds to provide resources to initiate programs funded in whole or part by the federal government or to fund approved construction projects in anticipation of permanent financing.
- Higher Education Fund—amounts due from the General Fund to the Higher Education plant funds which represent transfers to fund capital projects and intrafund advances from the endowment funds to finance construction.

Amounts due to/from other funds are as follows:

Schedule of Due To/From Other Funds
June 30, 1987
(Dollars in Thousands)

	Due From				
Due To	General	Special Revenue–Human Resources	Special Revenue–Literary	Higher Education	Totals
General	$ —	$ —	$ —	$ 3,190	$ 3,190
Special Revenue					
Human Resources	21,868	6,923	—	—	28,791
Federal	—	19,094	—	—	19,094
Enterprise—State					
Department of Alcoholic Beverage Control	6,427	8,580	—	—	15,007
Enterprise—Public Benefit Corporations					
Virginia Resources Authority	447	—	—	—	447
Virginia Public School Authority	—	—	231,225	—	231,225
Internal Service					
Department of Information Technology	716	—	—	—	716
Central Warehouse	1,564	—	—	—	1,564
Higher Education	—	8,686	—	35,558	44,244
Totals	$ 31,122	$ 43,283	$ 231,225	$ 40,748	$ 346,378

4. LONG-TERM INDEBTEDNESS

Commonwealth bonds, issued pursuant to Sections 9(b) and 9(c) of Article X of the Constitution of Virginia, are backed by the full faith, credit, and taxing power of the Commonwealth. Commonwealth of Virginia bonds are divided into two major groupings consisting of (1) general obligation bonds authorized by the citizens of Virginia through bond referenda to finance capital projects (9(b) bonds), and retired through the use of State appropriations, and (2) bonds for financing capital projects which, when completed, will generate revenue to repay the debt (9(c) bonds). All of these bonds are callable after approximately ten years, from any available revenue, at the option of the Commonwealth of Virginia.

The following schedules detail the annual funding requirements necessary to amortize both 9(b) General Obligation and 9(c) Transportation Bonds. These bonds are backed by the full faith, credit, and taxing power of the Commonwealth. Principal and interest requirements for the current year totaled $10,118,925 for 9(b) General Obligation Bonds and $8,878,008 for 9(c) Transportation Bonds.

GENERAL OBLIGATION BONDS
Debt Service Requirements to Maturity
As of June 30, 1987

Maturity	Principal	Interest	Total
1988	$ 6,575,000	$ 3,248,050	$ 9,823,050
1989	6,575,000	2,952,175	9,527,175
1990	6,575,000	2,653,013	9,228,013
1991	6,575,000	2,350,562	8,925,562
1992	6,575,000	2,048,113	8,623,113
1993–1998	39,450,000	5,738,331	45,188,331
Total	$ 72,325,000	$ 18,990,244	$ 91,315,244

TRANSPORTATION BONDS
Debt Service Requirements to Maturity
As of June 30, 1987

Maturity	Principal	Interest	Total
1988	$ 1,500,000	$ 8,330,050	$ 9,830,050
1989	1,700,000	8,273,850	9,973,850
1990	1,640,000	8,210,420	9,850,420
1991	1,825,000	8,141,028	9,966,028
1992	3,425,000	8,019,415	11,444,415
1993–2011	125,010,000	90,830,265	215,840,265
Total	$ 135,100,000	$ 131,805,028	$ 266,905,028

The following schedule details the annual funding requirements necessary to amortize the Higher Education 9(c) Revenue Bonds. These bonds are also backed by the full faith, credit, and taxing power of the Commonwealth. Principal and interest requirements for the current year totaled $24,661,638.

HIGHER EDUCATION—SECTION 9(c)
REVENUE BONDS
Debt Service Requirements to Maturity
As of June 30, 1987

Maturity	Principal	Interest	Total
1988	$ 10,195,000	$ 14,289,403	$ 24,484,403
1989	10,820,000	13,650,052	24,470,052
1990	11,440,000	12,969,668	24,409,668
1991	12,190,000	12,242,775	24,432,775
1992	12,885,000	11,469,650	24,354,650
1993–2013	150,796,000	73,184,862	223,980,862
Total	$ 208,326,000	$ 137,806,410	$ 346,132,410

A summary of changes in long-term debt issued pursuant to Sections 9(b) General Obligation Bonds and 9(c) Transportation Bonds for the year ended June 30, 1987, follows:

Schedule of Changes in Section 9(b) and 9(c) Long-Term Debt

	Balance July 1, 1986	Issuances	Retirements	Balance June 30, 1987
General Obligation Bonds	$ 78,900,000	$ —	$ 6,575,000	$ 72,325,000
Transportation Bonds	57,000,000	135,100,000	57,000,000	135,100,000
Higher Education Bonds	217,912,000	—	9,586,000	208,326,000
Total 9(b) and 9(c) Debt	$ 353,812,000	$ 135,100,000	$ 73,161,000	$ 415,751,000

The preceding paragraphs detail information on the bonds and other obligations backed by the full faith, credit, and taxing power of the Commonwealth. The following paragraphs describe indebtedness that is not backed by the full faith and credit of the Commonwealth but is included in the financial statements.

Prior to 1970, the governing bodies of various State colleges and universities were empowered, with the approval of the Governor and the General Assembly, to issue debt backed solely by a pledge of the revenue from specific revenue-producing capital projects, such as dormitories, student centers, and dining halls. This debt falls under the provisions of Section 9(d) of Article X of the Constitution of Virginia. At June 30, 1987, the outstanding balance on this debt was $14,180,000. In addition, other bond issues that fall under the provisions of Section 9(d) were issued after 1970. These bonds financed revenue-producing capital projects at several State colleges and universities. Included in this debt is a fiscal year 1987 debt issuance made by the Medical College of Virginia. At June 30, 1987, the total outstanding balance of the post-1970 debt was $236,563,124. The Commonwealth has also included debt issued by State colleges and universities, which is backed and secured only by endowment funds and other funds derived from gifts and bequests. The bonds of this type were issued by the University of Virginia and Virginia Polytechnic Institute and State University. These bonds provided funds for various purposes including capital projects. At June 30, 1987, the total outstanding balance of this debt was $21,194,731. Debt issued by the Virginia College Building Authority to finance equipment purchases of State-supported institutions of higher education is also included. The total outstanding balance of this debt was $90,000,000 at June 30, 1987. The following schedules detail the annual funding requirements necessary to amortize these bonds:

HIGHER EDUCATION BONDS—SECTION 9(d)
Debt Service Requirements to Maturity
As of June 30, 1987

Maturity	Principal	Interest	Total
1988	$ 16,574,245	$ 24,390,875	$ 40,965,120
1989	14,504,560	24,122,304	38,626,864
1990	11,752,144	21,787,467	33,539,611
1991	10,404,403	22,136,156	32,540,559
1992	10,961,736	21,799,770	32,761,506
1993–2017	297,740,767	248,809,549	546,550,316
Total	$ 361,937,855	$ 363,046,121	$ 724,984,276

The Virginia Port Authority has issued bonds and notes pursuant to powers provided to its Board of Commissioners by the *Code of Virginia*. The debt service on these obligations has been paid in whole or in part by the Commonwealth and by revenues of the Port Authority. This debt is not backed by the full faith and credit of the Commonwealth. At June 30, 1987, there were outstanding revenue bonds and long-term notes payable in the amount of $50,772,000. The following schedule details the funding requirements necessary to amortize these obligations:

VIRGINIA PORT AUTHORITY DEBT
Debt Service Requirements to Maturity
As of June 30, 1987

Maturity	Principal	Interest	Total
1988	$ 6,926,000	$ 3,913,287	$ 10,839,287
1989	5,284,000	3,495,099	8,779,099
1990	5,544,000	3,112,905	8,656,905
1991	5,869,000	2,694,767	8,563,767
1992	5,479,000	1,981,205	7,460,205
1993–2007	21,670,000	4,785,998	26,455,998
Total	$ 50,772,000	$ 19,983,261	$ 70,755,261

The Virginia Public Building Authority issues bonds for the purpose of acquiring buildings to be leased by agencies of the Commonwealth. The bonds are payable from the funds of the Authority and are not backed by the full faith and credit of the Commonwealth, nor do they constitute a legal liability of the Commonwealth. At June 30, 1987, $122,790,000 of Authority bonds were outstanding. The following schedule details the annual funding requirements necessary to amortize these bonds:

VIRGINIA PUBLIC BUILDING AUTHORITY BONDS
Debt Service Requirements to Maturity
As of June 30, 1987

Maturity	Principal	Interest	Total
1988	$ 1,410,000	$ 7,383,235	$ 8,793,235
1989	4,330,000	7,329,345	11,659,345
1990	4,660,000	6,888,835	11,548,835
1991	4,970,000	6,768,595	11,738,595
1992	5,315,000	6,437,285	11,752,285
1993–2004	102,105,000	42,774,991	144,879,991
Total	$ 122,790,000	$ 77,582,286	$ 200,372,286

Public Benefit Corporations consisting of the Virginia Housing Development Authority (VHDA), the Virginia Education Loan Authority (VELA), the Virginia Public School Authority (VPSA), and the Virginia Resources Authority (VRA) issue bonds as part of their activities. This debt is not backed by the full faith and credit of the Commonwealth and does not constitute a liability of the Commonwealth. The following schedules detail the annual funding requirements necessary to amortize bonds issued by VHDA, VELA, VPSA, and VRA:

VIRGINIA HOUSING DEVELOPMENT AUTHORITY BONDS
Principal Requirements to Maturity
As of June 30, 1987

Maturity	Principal*
1988	$ 77,242,000
1989	80,845,000
1990	87,310,000
1991	89,075,000
1992	91,445,000
1993–2022	2,394,978,000
Less: Unamortized Discounts and Premiums	214,152,000
Total	$ 2,606,743,000

*Interest payments for VHDA are not available.

VIRGINIA EDUCATION LOAN AUTHORITY BONDS
Debt Service Requirements to Maturity
As of June 30, 1987

Maturity	Principal	Interest	Total
1988	$ 42,600,000	$ 27,972,944	$ 70,572,944
1989	43,735,000	25,601,365	69,336,365
1990	42,095,000	21,088,780	63,183,780
1991	39,370,000	17,629,389	56,999,389
1992	38,610,000	14,302,968	52,912,968
1993–1999	142,495,000	35,631,587	178,126,587
Less: Unamortized Discounts	839,847	—	839,847
Total	$ 348,065,153	$ 142,227,033	$ 490,292,186

VIRGINIA PUBLIC SCHOOL AUTHORITY BONDS
Debt Service Requirements to Maturity
As of June 30, 1987

Calendar Year Maturity	Principal	Interest	Total
1987	$ 21,400,000	$ 15,619,131	$ 37,019,131
1988	21,405,000	15,365,236	36,770,236
1989	20,905,000	14,099,790	35,004,790
1990	20,900,000	12,845,763	33,745,763
1991	19,640,000	11,593,675	31,233,675
1992–2007	151,860,000	61,367,458	213,227,458
Total	$ 256,110,000	$ 130,891,053	$ 387,001,053

VIRGINIA RESOURCES AUTHORITY BONDS
Principal Requirements to Maturity
As of June 30, 1987

Maturity	Principal*
1988	$ 1,555,000
1989	1,770,000
1990	2,240,000
1991	2,360,000
1992	2,525,000
1993–2016	152,869,233
Less: Unamortized Discounts and Issuance Expenses	3,744,576
Total	$ 159,114,657

*Interest payments for VRA are not available.

The State Highway Commission, as authorized by the *Code of Virginia*, has issued bonds for the construction of the Norfolk-Virginia Beach Toll Road. The principal and interest requirements on these bonds are paid from the tolls and other revenues arising from the operation of the toll road. These bonds are not backed by the full faith and credit of the Commonwealth and do not constitute a liability of the Commonwealth. The following schedule details the annual funding requirements necessary to amortize these bonds:

NORFOLK-VIRGINIA BEACH TOLL REVENUE BONDS
Principal Requirements to Maturity
As of June 30, 1987

Calendar Year Maturity	Principal*
1987	$ 715,000
1988	740,000
1989	770,000
1990	790,000
1991–2004	14,675,000
Total	$ 17,690,000

*Interest payments for these bonds are not available.

The following schedule summarizes the changes in long-term debt reflected in the General Long-Term Debt Account Group:

Schedule of Changes in General Long-Term Debt
(Dollars in Thousands)

	Balance July 1, 1986	Issuances and Other Increases	Retirements and Other Decreases	Balance June 30, 1987
Long-Term Debt Bearing the Pledge of the Full Faith and Credit of the Commonwealth:				
Article X, Sections 9(b) and 9(c) Bonds				
Public Facilities Bonds, Series 1978				
Transportation Facilities Bonds, Series 1982 (Dulles Toll Road)				
Transportation Facilities Bonds, Series 1986 (Powhite Parkway Extension)				
Transportation Facilities Bonds, Series 1987A (Dulles Toll Road)				
Total Section 9(b) and 9(c) Bonds				
Other Long-Term Debt				
Long-Term Capital Lease Obligations				
Long-Term Portion of the Liability for Compensated Absences				
Insurance Claims Payable				
Installment Purchases				
Total Long-Term Debt Bearing the Pledge of the Full Faith and Credit of the Commonwealth				
Long-Term Debt Not Bearing the Pledge of the Full Faith and Credit of the Commonwealth:				
Norfolk Virginia Beach (2) Revenue Bonds Series 1966				
Virginia Port Authority Long-Term Debt				
Virginia Port Authority Capital Lease Obligations				
Virginia Public Building Authority Long-Term Debt				
Total Long-Term Debt Not Bearing the Pledge of the Full Faith and Credit of the Commonwealth				
Total General Long-Term Debt Account Group				

Bond Defeasance

On February 4, 1987, the Commonwealth issued $57,100,000 in Transportation Facilities Refunding Bonds (Series 1987A) with interest rates ranging from 3.3% to 6.1% to advance refund $56,500,000 of outstanding Transportation Facilities Bonds, Series 1982, dated December 1, 1982, with interest rates ranging from 8.75% to 12% used to finance the construction of the Dulles Toll Road.

The Commonwealth advance refunded the Transportation Facilities Bonds, Series 1982, to reduce its total debt service payments over the next 22 years by $28,395,904 and obtain an economic gain of $6,201,358.

On March 31, 1987, the Virginia Public Building Authority issued $100,755,000 in State Building Revenue Refunding Bonds (1987 Series) with interest rates ranging from 3.4% to 6.25% to advance refund $78,790,000 of the State Building Revenue Bonds (1984 Series A) dated March 1, 1984, with interest rates ranging from 5.5% to 9.625%.

The Virginia Public Building Authority advance refunded the 1984 Series A Bonds to reduce its total debt service payments over the next 18 years by $12,893,933 and to obtain an economic gain of $8,002,654.

The proceeds of the refunding bonds were deposited into irrevocable trusts with escrow agents to provide for all future debt service payments on the refunded bonds. As a result, these bonds are considered to be defeased and the liability for these bonds has been removed from the General Long-Term Debt Account Group.

On February 26, 1987, the Medical College of Virginia Hospitals issued $24,705,000 in revenue bonds (Series C) with an average interest rate of 6.266% to advance refund $20,320,000 of outstanding Series B revenue bonds dated June 1, 1983, with interest rates ranging from 7.5% to 9.9%. The entire proceeds of the 1987 Series C Bonds with the remaining funds from the 1983 Series B Bonds were used to:

1. Establish an escrow fund in the amount of $24,536,109 for the payment of principal and interest on the 1983 Series B Bonds; and
2. Pay the costs relating to the issuance of the bonds amounting to $499,239.

The irrevocable trust fund placed with the escrow agent is to provide for all future debt service payments on the 1983 Series B Bonds. As a result, these bonds are considered to be defeased and the liability for these bonds has been removed from the long-term debt in the Higher Education Fund.

Although the advance refunding resulted in the recognition of an accounting loss of $5,394,690, the aggregate debt service payments will be decreased by $3,604,747 over the next 20 years and an economic gain of $2,119,266 (assuming a discount rate of 6.0176%) will be obtained.

At June 30, 1987, the following outstanding bonds are considered defeased:

1973 Transportation Facilities Bonds	$ 47,000,000
1984 UVA Hospital Revenue Bonds—Series A	$ 40,000,000
1984 UVA Hospital Revenue Bonds—Series B	$110,000,000
1983 MCV Hospital Revenue Bonds—Series B	$ 17,080,000
1982 Transportation Facilities Bonds—Series 1982	$ 56,500,000
1984 State Building Revenue Bonds—1984 Series A	$ 78,790,000

Capital Leases

The Commonwealth of Virginia is involved in numerous agreements to lease buildings and equipment. SFAS Number 13, "Accounting for Leases," requires that noncancellable lease agreements—including those that are cancellable only upon occurrence of a remote contingency—that effectively transfer all of the benefits and risks of property ownership from the lessor to the lessee be recorded essentially as sale-purchase transactions by the lessee if any one of these "capital lease" criteria is met at the inception of the lease:

(a) The lease transfers title to the property from the lessor to the lessee by the end of the lease term.

(b) The lease contains a "bargain purchase option" which permits the lessee to purchase the property from the lessor during the lease term at a price which is sufficiently lower than the expected fair market value of the property when the purchase option is exercisable to virtually assure that the purchase option will be exercised.

(c) The lease term is for 75 percent or more of the estimated remaining useful economic life of the property. (If the lease term begins within the last 25 percent of the total useful economic life of the leased property, this criterion will not apply for the test for capitalization.)

(d) The present value of the minimum lease payments is 90 percent or more of the fair market value of the property, net of any related investment tax credit retained and expected to be realized by the lessor. (If the lease term begins within the last 25 percent of the total useful economic life of the leased property, this criterion will not apply for the test for capitalization.)

For all capital leases, the gross minimum lease payments, together with the present value of the net minimum lease payments as of June 30, 1987, are:

1988	$ 7,852,234
1989	5,783,499
1990	4,136,940
1991	3,175,654
1992	2,719,292
After 1992	9,418,086
Total Gross Minimum Lease Payments	33,085,405
Less Amount Representing Executory Costs (including profit thereon) included in total gross minimum lease payments	4,018,620
Net Minimum Lease Payments	29,066,785
Less Amount Representing Interest	7,484,475
Present Value of Net Minimum Lease Payments	$ 21,582,310

(1) Executory costs are defined as those costs incidental to the use of the leased property such as taxes, maintenance, and insurance.

(2) Interest is defined as that amount computed based upon the Commonwealth's incremental borrowing rate for each of its leases which reduces net minimum lease payments to present value.

Lease agreements are for various terms and all leases contain nonappropriation clauses indicating that continuation of the lease is subject to funding by the General Assembly.

Assets under capitalizable leases have been recorded as fixed assets at the lower of the net present value of the minimum lease payments during the lease term or the fair market value and, accordingly, have been included in the financial statements together with other fixed assets. The following is an analysis of the leased property under capital leases by asset category as of June 30, 1987:

	General Fixed Assets Account Group	Enterprise Funds	Internal Service Funds	Higher Education Fund	Totals (Memorandum Only)
Buildings	$ 8,425,816	$ 207,742	$ —	$ 136,985	$ 7,693,355
Equipment	4,090,188	—	1,226,141	5,179,524	12,456,061
Less Accumulated Depreciation	—	937,043	553,776	—	1,460,819
Total Fixed Assets	$ 12,516,004	$ 344,699	$ 672,365	$ 5,316,509	$ 18,888,597

(3) Buildings and equipment in the Enterprise Funds and Internal Service Funds have been depreciated using the straight-line method over their estimated total useful economic life (if lease capitalization criterion [a] or [b] has been met) or their related lease terms (if lease capitalization criterion [c] or [d] has been met). No depreciation is provided for buildings and equipment in the General Fixed Assets Account Group or the Higher Education Fund.

Restatement of Beginning Fund Equity
(Dollars in Thousands)

	General	Special Revenue	Debt Service	Capital Projects	Enterprise-PBC	Internal Service	Nonexpendable Trust	Expendable Trust	Higher Education
Fund Equity-Retained Earnings-June 30, 1986, as previously reported	$ 135,585	$ 201,235	$ 20,362	$ 41,070	$ 454,067	$ 28,869	$ 3,024	$ 1,191,703	$ 2,847,256
To reclassify Literary Fund and Virginia Public School Authority previously reported as Expendable Trust Funds	—	284,938	5,030	—	17,353	—	—	326,705	—
To reclassify Toll Facilities previously reported as Expendable Trust Funds	—	27,894	1,212	26,350	—	—	—	44,010	—
To record the effect of a revaluation of Higher Education Fixed Assets	—	—	—	—	—	—	—	—	10,000
To reclassify Risk Management previously reported as Agency Funds and Expendable Trust Funds	—	—	—	—	—	7,980	—	1,980	—
To reclassify and include the Center for Innovative Technology previously reported as an Expendable Trust Fund	—	—	—	—	—	—	—	10,131	24,435
To record the effect of changes in accounting treatment of governmental activities	547	—	—	—	—	—	1,335	690	—
Fund Equity-Retained Earnings-June 30, 1986, as adjusted	$ 136,132	$ 514,067	$ 26,604	$ 63,108	$ 471,420	$ 36,849	$ 4,359	$ 1,575,209	$ 2,881,691

Installment Purchases

The Commonwealth of Virginia finances the acquisition of certain property and equipment through installment purchase agreements. The length of the agreements and the interest rates charged vary. In most cases, the agreements are collateralized by the property and equipment acquired. The balance of installment purchases outstanding at June 30, 1987 was $22,296,438, and is included in notes payable on the Combined Balance Sheet.

Installment purchase agreements contain nonappropriation clauses indicating that continuation of the installment purchase is subject to funding by the General Assembly.

5. ADJUSTMENTS TO FUND EQUITY

For the fiscal year ended June 30, 1987, certain changes have been made to the financial statements to better conform with the governmental model. Additionally, 1986 memorandum totals for the General Fund, the Special Revenue Funds, the Enterprise Funds, the Internal Service Funds, the Expendable Trust Funds, the Nonexpendable Trust Fund, and the Higher Education Fund have been restated.

The above schedule details the restatements made to Fund Equity as of June 30, 1986, to give retroactive effect to these changes.

6. RETIREMENT AND PENSION SYSTEMS

Employees participate in one of three contributory retirement systems. The Virginia Supplemental Retirement System (VSRS) is a statewide retirement plan that provides retirement benefits to State employees, teachers, and political subdivision employees. The State Police Officers' Retirement System and the Judicial Retirement System are single-employer retirement plans. The State Police Officers' Retirement System provides retirement benefits to Virginia State police officers, and the Judicial Retirement System provides retirement benefits to the Commonwealth's judiciary. All retirement systems are administered by the Virginia Supplemental Retirement System. Benefits provided include full retirement benefits, disability retirement benefits, death-in-service benefits, and cost of living increases.

The retirement systems are contributory defined benefit pension plans. Covered employees contribute 5% of their creditable compensation and earn interest at the rate of 4% credited annually on their accumulated contributions. Accumulated contributions plus interest earned are refundable to employees upon their termination. Employers contribute, at rates actuarially determined under the entry age normal cost method, such amounts as are necessary to sufficiently fund the annual normal costs, annual supplementary costs, and past service costs within 40 years. Employers may also elect to pick up and pay contributions for their employees, in which case there are differences in the way contributions are handled for those members. Contributions made to each plan during the fiscal year are the actuarially required contributions. The Commonwealth's policy is to fund accrued pension costs. The Commonwealth's total contributions, which include amortization of prior service costs within a 40-year period, for fiscal years ended June 30, 1987 and 1986 were as follows:

	FY '87	FY '86
State Employees	$219,329,716	$210,992,670
State Police Officers	6,028,024	5,439,811
Judiciary Employees	8,019,397	6,920,307

The amount of assets and reserves to be provided by the employers through future contributions is actuarially determined on a biennial basis for each retirement plan. For State employees, teachers, State police officers, and the judiciary, the amount of assets and reserves to be provided at June 30, 1987, was actuarially computed as of June 30, 1986, and as of June 30, 1985, for political subdivision employees. Pursuant to Section 51-111.22, *Code of Virginia*, the next computation will be as of June 30, 1988, for State employees, teachers, State police officers, and the judiciary, and June 30, 1987 for political subdivision employees. The results of this computation will not be available before January 1989, and January 1988, respectively.

The computation presents an estimate of the discounted present value of the prospective accrued liability for contributions that will have to be paid by employers in the future so that such contributions, together with the assets on hand and the normal contributions to be made in the future by employers and the members, will be sufficient to provide all of the System benefits to be paid in the future to present members and retired members of the System. The breakdown of the total present value of prospective accrued liability contributions is as follows:

To be paid by the Commonwealth on behalf of State employees	$1,135,978,000
To be paid by the Commonwealth and school boards on behalf of teachers	1,687,011,000
To be paid by political subdivisions on behalf of their employees	361,059,000
Subtotal	3,184,048,000
To be paid by the Commonwealth on behalf of State police officers	27,971,000
To be paid by the Commonwealth on behalf of the judiciary	36,439,000
Total	$3,248,458,000

The valuation method used by the actuary is the projected benefit method with level percentage entry-age normal cost and open-end unfunded accrued liability. Gains and losses are reflected in the unfunded accrued liability, which is amortized by regular annual contributions as a level percentage of payroll within a 40-year period from each valuation. The more significant assumptions underlying the actuarial computations are an interest rate assumption of 6½% and an inflation component of 4½% in the salary increase assumption. In addition, the actuarial cost method reflects the full costs of ancillary benefits in the level normal and accrued liability rates. These actuarial assumptions and methods were adopted by the Board of Trustees beginning with the June 30, 1980, computations. There were no changes in the assumptions and methods used by the actuary for the 1985 and 1986 valuations.

7. DEFERRED COMPENSATION PLAN

The Commonwealth offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The deferred compensation plan is administered by the Investment Department of the Virginia Supplemental Retirement System, pursuant to the Government Employees Deferred Compensation Plan Act, Section 51-111.67:15 et. seq. of the *Code of Virginia*. The Investment Department contracts with private corporations or institutions subject to the standards set forth in the Code to provide investment products as well as any other goods and services related to the administration of the deferred compensation plan. The Department of Accounts is responsible for the accounting, reconciliations, and record keeping associated with State employees' enrollment, payment to the plan through payroll deductions, and timely transfer of withheld funds to the trustee designated by the Investment Department for investment. The plan is designed so that each participant retains investment control of his/her individual account. The investment options range from a guaranteed rate of return in the general account to the aggressive growth fund account which seeks growth of capital. The plan, available to all State employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the State (without being restricted to the provisions of benefits under the plan), subject only to the claims of the State's general creditors. Participants' rights under the plan are equal to those of general creditors of the State in an amount equal to the fair market value of the deferred account for each participant. All assets and liabilities of the plan are stated at market value and are reported in an agency fund.

It is the opinion of the Attorney General that the Commonwealth has no liability for losses under the plan. The plan assets are subject to the claims of the Commonwealth's general creditors; however, to the knowledge of the Attorney General, no assets have been used in the past to satisfy such claims.

8. POST-RETIREMENT LIFE INSURANCE BENEFITS

In addition to providing pension benefits, the Commonwealth provides life insurance benefits for retired employees. These benefits are reported in Expendable Trust Funds. The estimated cost of such benefits is accrued over the working lives of the employees through employer contributions. The Commonwealth recognizes the cost of providing these benefits by expensing the annual employer contributions which were $5,610,872 for fiscal year 1987.

9. SELF-INSURANCE

The Commonwealth, through its Department of General Services, Division of Risk Management, maintains self-insurance programs for workers' compensation, property, and general (tort) liability which are accounted for in the Risk Management, Internal Service Fund. Interfund premiums are accounted for as quasi-external transactions.

The Commonwealth also provides errors and omissions liability insurance and law enforcement professional liability insurance for local governmental units throughout the Commonwealth. All activity of these programs is also accounted for in the Risk Management, Internal Service Fund.

At June 30, 1987, $25,672,397 is reported as the estimated claims payable for self-insurance. Because the risk relating to this liability remains with the governmental unit and not the Risk Management Fund, the liability is recorded in the General Long-Term Debt Account Group. These estimated losses are based upon actual claims that have been submitted. Claims incurred but not reported have not been considered when determining the liability.

For workers' compensation and general liability, the Commonwealth assumes the full risk of claims filed. For property damages, the risk assumed by the Commonwealth is limited to $100,000 per occurrence with an aggregate stop loss of $1,000,000. The risk assumed by the Commonwealth for errors and omissions and law enforcement liability is limited to $1,000,000 per occurrence.

10. SEGMENT INFORMATION—ENTERPRISE FUNDS

A. State—The Commonwealth currently maintains three Enterprise Funds which are intended to be self-supporting through charges to users of their products and services. These Enterprise Funds are:

- The Department of Alcoholic Beverage Control (ABC) which operates facilities for the distribution and sale of distilled spirits and wine;
- The Virginia Industries for the Blind which manufactures products for sale to governments, certain private organizations, and the general public; and,
- The Division of Legislative Services which accounts for the sale of the *Virginia Register*.

Additionally, the Commonwealth exercises oversight responsibilities for the gift shop and food services of the Virginia Museum of Fine Arts, which is an agency of the Commonwealth.

B. Public Benefit Corporations—The Commonwealth currently includes six public benefit corporations in the Enterprise Funds. The public benefit corporations are:

- Virginia Housing Development Authority which is empowered by the *Code of Virginia* to finance housing intended for occupancy or ownership, or both, by families of low and moderate income;
- Virginia Education Loan Authority which is empowered by the *Code of Virginia* to provide loans to eligible students at institutions of higher education and vocational schools;
- Virginia International Terminals, Incorporated which operates several marine terminals for the Virginia Port Authority;
- Virginia Resources Authority which encourages the investment of both public and private funds in the water and sewer projects of local governments as well as making loans and grants available to local governments to finance these projects;
- State Education Assistance Authority which guarantees obligations of students and their parents at public or private institutions of higher education; and
- Virginia Public School Authority which is empowered by the *Code of Virginia* to issue bonds to finance school capital projects of cities, counties, and towns of the Commonwealth.

Selected financial information by Enterprise Fund activity is presented below:

Selected Segment Information
For the Fiscal Year Ended June 30, 1987
(Dollars in Thousands)

	State			Public Benefit Corporations						
	Department of Alcoholic Beverage Control	Other	Sub-Total	Virginia Housing Development Authority	Virginia Education Loan Authority	Virginia Resources Authority	Virginia Public School Authority	Other	Sub-Total	Total Enterprise Funds
Operating Revenues	$257,703	$6,603	$264,306	$ 230,436	$ 46,927	$ 12,614	$ 22,730	$72,531	$ 385,238	$ 649,544
Depreciation Expense	1,617	28	1,645	211	261	7		1,023	1,502	3,147
Operating Income (Loss)	16,451	862	17,313	28,668	3,403	1,268	10,864	1,607	45,810	63,123
Net Transfers In (Out)	(9,464)		(9,464)				7,494		7,494	(1,970)
Net Nonoperating Revenues (Expenses)	(260)	67	(193)					186	186	(7)
Net Income (Loss)	7,231	929	8,160	28,668	3,403	1,268	18,358	1,793	53,490	61,650
Property, Plant, and Equipment:										
Additions	970		970	1,296	2,900	4		330	4,530	5,500
Total Assets	27,307	13,111	40,418	1,115,864	333,026	174,578	511,746	58,118	2,193,332	2,233,750
Total Long-Term Liabilities	11,133	30	11,227	2,656,468	440,438	139,132	257,610	850	3,494,498	3,505,725
Total Liabilities	12,811	126	12,937	2,757,431	460,064	165,810	261,148	9,861	3,654,314	3,667,251
Total Equity	24,366	13,015	37,381	1,263,169	76,363	111,225	250,598	91,257	1,792,612	1,829,993
Total Working Capital	31,777	2,748	34,525	317,810	111,311	60,527	314,677	57,100	861,425	895,950

11. COMMITMENTS AND CONTINGENCIES

A. Grants and Contracts

The Commonwealth has received federal grants for specific purposes that are subject to review and audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a federal audit may become a liability of the Commonwealth.

Institutions of higher education and other State agencies are required to comply with various federal regulations issued by the Office of Management and Budget, if such agencies are recipients of federal grants, contracts, or other sponsored agreements. Certain agencies within the Commonwealth may not be in total compliance with these regulations. Failure to have complied with certain systems requirements of these regulations may result in questions concerning the allowability of related direct and indirect charges pursuant to such agreements. We believe that the ultimate disallowance pertaining to these regulations, if any, will be immaterial to the overall financial condition of the Commonwealth.

B. Highway Construction Projects

At June 30, 1987, the Department of Transportation had contractual commitments of approximately $555.3 million for construction of various highway projects. Funding of these future expenditures is expected to be provided as follows: (1) Federal Funds—approximately 45.1% or $250.8 million, (2) State Funds—approximately 54.1% or $300.7 million, and (3) Proceeds from Bonds—approximately .8% or $3.8 million.

C. Litigation

The Commonwealth is named as a party in legal proceedings that occur in the normal course of governmental operations, some involving substantial amounts. It is not possible at the present time to estimate ultimate outcome or liability, if any, of the Commonwealth in respect to the various proceedings; however, it is believed that any ultimate liability resulting from these suits will not have a material, adverse effect on the financial condition of the Commonwealth.

D. Operating Leases

The Commonwealth of Virginia has entered into numerous agreements to lease land, buildings, and equipment. Most of the operating leases contain the provision that the Commonwealth may renew the operating leases at the expiration date of the lease on a month-to-month basis. In most cases management expects that in the normal course of business, leases will be renewed or replaced by other leases of a similar nature. Rental expense under the operating leases for the year ended June 30, 1987, was $39,697,137. The Commonwealth has, as of June 30, 1987, the following minimum rental payments due under the above leases:

1988	$ 28,979,782
1989	22,359,827
1990	18,338,077
1991	15,137,522
1992	10,974,126
After 1992	10,765,043
Total	$106,554,377

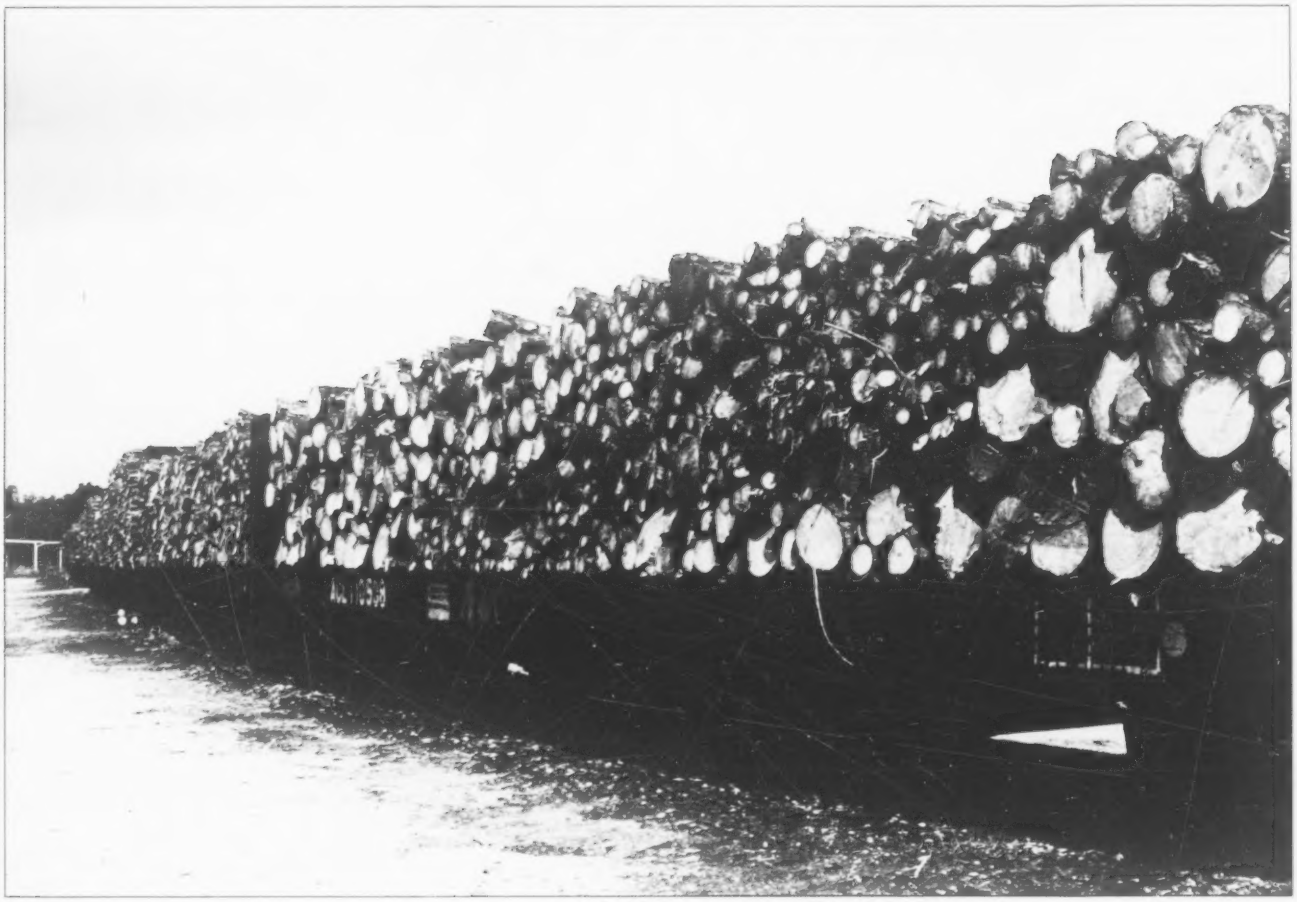
Lease agreements are for various terms and all leases contain nonappropriation clauses indicating that continuation of the lease is subject to funding by the General Assembly.

12. SUBSEQUENT EVENTS

Subsequent to year end, the Virginia Public School Authority issued bonds in the amount of $35,695,000. These refunding bonds are dated August 1, 1987, with interest rates ranging from 5.4% to 7.75%. The bonds are payable solely from the principal and interest payments on certain general obligation local school bonds held by the Authority. The bonds mature on various dates to January 1, 2005. The Virginia Public School Authority also issued School Financing Bonds (1987 Resolution) 1987 Series B, on October 8, 1987. The proceeds of the bonds were used to purchase the general obligation school financing bonds of eighteen counties and one city.

In addition to scheduled redemptions, the Virginia Housing Development Authority (VHDA) made special redemptions of certain bonds payable subsequent to June 30, 1987. The aggregate principal amount redeemed was $53,642,014. On July 15, 1987 and July 30, 1987, the VHDA sold a total of $101,755,000 Commonwealth Mortgage Bonds, 1987 Series A.

Subsequent to June 30, 1987, equity markets have experienced significant decline. Management of the Virginia Supplemental Retirement System and institutions of Higher Education with endowment funds, primarily the University of Virginia, estimates that as of October 31, 1987, the effect of these declines on the market value of investments at June 30, 1987, was to reduce the market value by approximately $420,000,000 and $42,000,000, respectively. These declines did not reduce the value of the portfolio to below cost and management does not expect these declines to significantly affect future investment income.



—VIRGINIA PORT AUTHORITY

Taiwan, West Germany, the Netherlands, and Japan are among the leading consumers of Virginia lumber for use in construction, furniture manufacturing, and paper mills.

Combining & Individual Fund Statements

General Fund

The General Fund accounts for all resources received and used for services traditionally provided by a state government. These services include general government, legislative, public safety, judicial, licensing and regulation, and any other services not accounted for in another fund.

Analysis

The graph at the right provides a breakdown of General Fund revenues and expenditures for the year ended June 30, 1987, on the modified accrual basis of accounting. Under this basis, total revenues and other sources exceeded expenditures and other uses by $100 million in 1987.

Revenues increased $582.1 million over the prior year, or 14%, primarily as a result of increased tax revenues. Expenditures increased $207 million over the prior year, or 6%, primarily as a result of increases of $139 million in education, $15 million in resources and economic development, and $52 million in administration of justice.

General Fund
Revenues and Expenditures
Fiscal Year 1987
(DOLLARS IN MILLIONS)

Balance Sheet
General Fund

June 30, 1987

(Dollars in Thousands)

	June 30, 1987	June 30, 1986
Assets		
Cash and Cash Equivalents	$ 125,113	$ 102,253
Petty Cash and Travel Advances	3,900	3,703
Taxes, Loans, Accounts, and Other Receivables (Net)	288,341	249,643
Due from Other Funds	31,122	11,228
Loans Receivable from Proprietary Funds	21,933	23,370
Investments	277,930	227,596
Total Assets	$ 748,339	$ 617,793
Liabilities and Fund Balance		
Liabilities:		
Accounts Payable	$ 92,235	$ 73,433
Tax Refunds Payable	34,278	36,005
Amounts Due to Localities	76,045	73,507
Deposits Pending Distribution	1,416	508
Due to Other Funds	5,190	20,246
Deferred Revenue	366	346
Deferred Credit	282,004	257,363
Accrued Liability for Compensated Absences	210	253
Total Liabilities	491,744	461,661
Fund Balance:		
Reserved for Working Capital Advances and Loans	22,480	12,047
Unreserved:		
Designated for Reappropriation of Unexpended Balances	290,434	316,658
Undesignated	137,961	31,572
Fund Balance—Budgetary Basis	450,875	360,277
Adjustments from Budget to GAAP	(194,280)	(204,145)
Total Fund Balance	256,595	156,132
Total Liabilities and Fund Balance	$ 748,339	$ 617,793

See Notes to the Financial Statements.

Statement of Revenues, Expenditures, and Changes in Fund Balance General Fund

For the Fiscal Year Ended June 30, 1987
(Dollars in Thousands)

	Year Ended June 30, 1987	Year Ended June 30, 1986
Revenues:		
Taxes	$ 4,445,796	$ 3,936,898
Rights and Privileges	26,049	25,592
Assessments and Receipts for Support of Special Services	277	491
Institutional Revenue	2,083	3,172
Interest, Dividends, and Rents	164,268	92,685
Fines, Forfeitures, Court Fees, Penalties, and Escheats	37,205	33,473
Revenues from Cities, Counties, and Towns	1,130	979
Private Donations, Gifts, and Contracts	18	—
Other	12,113	13,552
Total Revenues	4,688,939	4,106,842
Expenditures:		
General Government	256,985	243,572
Education	1,793,509	1,654,467
Transportation	17,112	11,654
Resources and Economic Development	132,247	117,169
Individual and Family Services	783,796	802,060
Administration of Justice	674,677	622,488
Total Expenditures	3,658,326	3,451,410
Revenues Over (Under) Expenditures	1,030,613	655,432
Other Financing Sources (Uses):		
Transfers:		
Operating Transfers In	326,727	2,189,296
Operating Transfers Out	(1,306,294)	(2,933,387)
ABC Profit	28,905	29,738
Appropriations Act	20,512	18,081
Proceeds from Capital Leases	—	1,534
Total Other Financing Sources (Uses)	(930,150)	(694,738)
Revenues and Other Sources Over (Under) Expenditures and Other Uses	100,463	(39,306)
Fund Balance, July 1, as adjusted	156,132	195,438
Fund Balance, June 30	$ 256,595	$ 156,132

See Notes to the Financial Statements.

Schedule of Revenues, Expenditures, and Changes in Fund Balance—Budget and Actual—Budgetary Basis General Fund

For the Fiscal Year Ended June 30, 1987

(Dollars in Thousands)

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Taxes:			
Individual and Fiduciary Income	$ 2,351,300	$ 2,445,817	$ 94,517
Sales and Use	1,106,900	1,105,718	(1,182)
Corporation Income	305,100	318,757	13,657
Public Service Corporations	144,100	145,552	1,452
Premiums of Insurance Companies	145,000	158,495	13,495
Other Taxes	239,600	260,869	21,269
Total Taxes	4,292,000	4,435,208	143,208
Rights and Privileges	25,900	25,910	10
Assessments and Receipts for Support of Special Services	900	277	(623)
Institutional Revenue	3,000	2,650	(350)
Interest, Dividends, and Rents	135,500	162,788	27,288
Fines, Forfeitures, Court Fees, Penalties, and Escheats	34,200	36,176	1,976
Revenues from Cities, Counties, and Towns	1,200	1,086	(114)
Private Donations, Gifts, and Contracts	—	16	16
Other	15,900	12,422	(3,478)
Total Revenues	4,508,600	4,676,533	167,933
Expenditures:			
General Government	296,753	271,141	25,612
Education	1,857,286	1,851,383	5,903
Transportation	22,557	21,750	807
Resources and Economic Development	151,269	142,283	8,986
Individual and Family Services	885,130	873,590	11,540
Administration of Justice	694,029	682,764	11,265
Total Expenditures	3,907,024	3,842,911	64,113
Revenues Over (Under) Expenditures	601,576	833,622	232,046
Other Financing Sources (Uses):			
Operating Transfers:			
Higher Education (Educational and General)	(708,951)	(705,276)	3,675
Capital Outlay	(294,756)	(97,337)	197,419
Other	(10,533)	(10,370)	163
ABC Profit	26,300	29,389	3,089
Appropriations Act	46,700	40,574	(6,126)
Total Other Financing Sources (Uses)	(941,240)	(743,020)	198,220
Revenues and Other Sources Over (Under) Expenditures and Other Uses	(339,664)	90,602	430,266
Fund Balance, July 1	360,273	360,273	—
Fund Balance, June 30	$ 20,609	$ 450,875	$ 430,266

See Notes to the Financial Statements.

Balance Sheet Schedule—Budgetary Basis
General Fund

June 30, 1987

(Dollars in Thousands)

	June 30, 1987	June 30, 1986
Assets		
Cash and Cash Equivalents	$ 425,625	$ 346,428
Petty Cash and Travel Advances	4,010	3,703
Taxes, Loans, Accounts, and Other Receivables (Net)	518	213
Due From Other Funds	26	—
Loans Receivable from Proprietary Funds	21,933	11,500
Loans Receivable from Virginia Resources Authority	547	547
Total Assets	$ 452,659	$ 362,391
Liabilities and Fund Balance		
Liabilities:		
Deposits Pending Distribution	$ 1,416	$ 504
Due to Other Funds	—	1,264
Deferred Revenue	368	346
Total Liabilities	1,784	2,114
Fund Balance:		
Reserved	22,480	12,047
Unreserved:		
Designated	290,434	316,658
Undesignated	137,961	31,572
Total Fund Balance	450,875	360,277
Total Liabilities and Fund Balance	$ 452,659	$ 362,391

See Notes to the Financial Statements.

Schedule of Projected Amount Available for Appropriation at June 30, 1988 General Fund—Budgetary Basis

June 30, 1987

(Dollars in Thousands)

Fund Balance, June 30, 1987			$ 450,875
Reserved for Long-Term Working Capital Advances to Internal Service Funds	$ 4,063		
Reserved for Long-Term Loan to the Department of Alcoholic Beverage Control	6,000		
Reserved for Loan to the Virginia Resources Authority	547		
Reserved for Long-Term Loan to the Department of General Services, Division of Risk Management, for Collateral for Workers' Compensation	11,870		
Total Reserved Fund Balance		$ 22,480	
Reappropriation of 1986-87 Unexpended Items Carried Forward for Expenditure in 1987-88:			
Operating Accounts Required by Chapter 723, 1987 Acts of Assembly		21,446	
Revenue Reserve, Item 658 (A), Chapter 723, 1987 Acts of Assembly		9,452	
Economic Contingency, Item 658 (A)(1), Chapter 723, 1987 Acts of Assembly		6,197	
Operating Accounts (Estimated)		23,114	
Capital Outlay (Unexpended Balances)		230,225	312,914
Undesignated Fund Balance at June 30, 1987			137,961
Revenue Estimate and Additions to Surplus for 1987-88 per Chapter 723, 1987 Acts of Assembly	4,957,386		
Less: Budgeted Appropriations for 1987-88 (Operating Only), per Chapter 723, 1987 Acts of Assembly	4,943,301	14,085	
Repayment of Working Capital Advances to Internal Service Funds During 1987-88		438	
Repayment of Long-Term Loan to Department of Alcoholic Beverage Control During 1987-88		1,000	
Repayment of Loan to the Virginia Resources Authority During 1987-88		547	16,070
Projected Amount Available for Appropriation at June 30, 1988			$ 154,031

See Notes to the Financial Statements.

Comparison of Sum-Sufficient Estimated Appropriations With Actual Expenditures—Budgetary Basis— General Fund

For the Fiscal Year Ended June 30, 1987

(Dollars in Thousands)

	Estimated Appropriations	Actual Expenditures	Amount Under (Over) Estimate
Enactment of Laws	$ 11,919	$ 10,242	$ 1,677
Financial Assistance to Localities — from Sale of Alcoholic Beverages	22,867	24,049	(1,182)
Financial Assistance for Special State Revenue Sharing (Sales Tax)	369,900	371,286	(1,386)
Financial Assistance to Localities (General)	451	451	—
Social Security Benefits (Local)	101,531	101,328	203
Group Life Insurance (Local)	4,111	4,102	9
Totals	$ 510,779	$ 511,458	$ (679)

See Notes to the Financial Statements.

VIRGINIA PORT AUTHORITY

Portsmouth Marine Terminal serves as a mid-Atlantic distribution point for overseas manufacturers of automobiles, such as those shown here, which originated in Scandinavia.

Special Revenue Funds

The Special Revenue Funds are maintained to account for those resources which are restricted to finance particular functions or activities of the Commonwealth. Special Revenue Funds are presented on a functional basis in accordance with NCGA Statement 1. The following are the Special Revenue Funds of the Commonwealth and their functions:

Highway Maintenance and Construction—to account for revenues and expenditures associated with highway operations, maintenance, construction and related activities. Funding of these programs is provided from highway user taxes, fees, and funds received from the federal government.

Federal—to account for all federal monies received by the Commonwealth except those received by the Highway Maintenance and Construction Fund, the Unemployment Compensation Trust Fund, and the institutions of Higher Education.

Administration—to account for revenues generated and expenditures made in connection with the recovery of indirect costs and insurance; and to account for general government expenditures.

Economic Development—to account for revenues and expenditures related to business and agricultural activities throughout the Commonwealth.

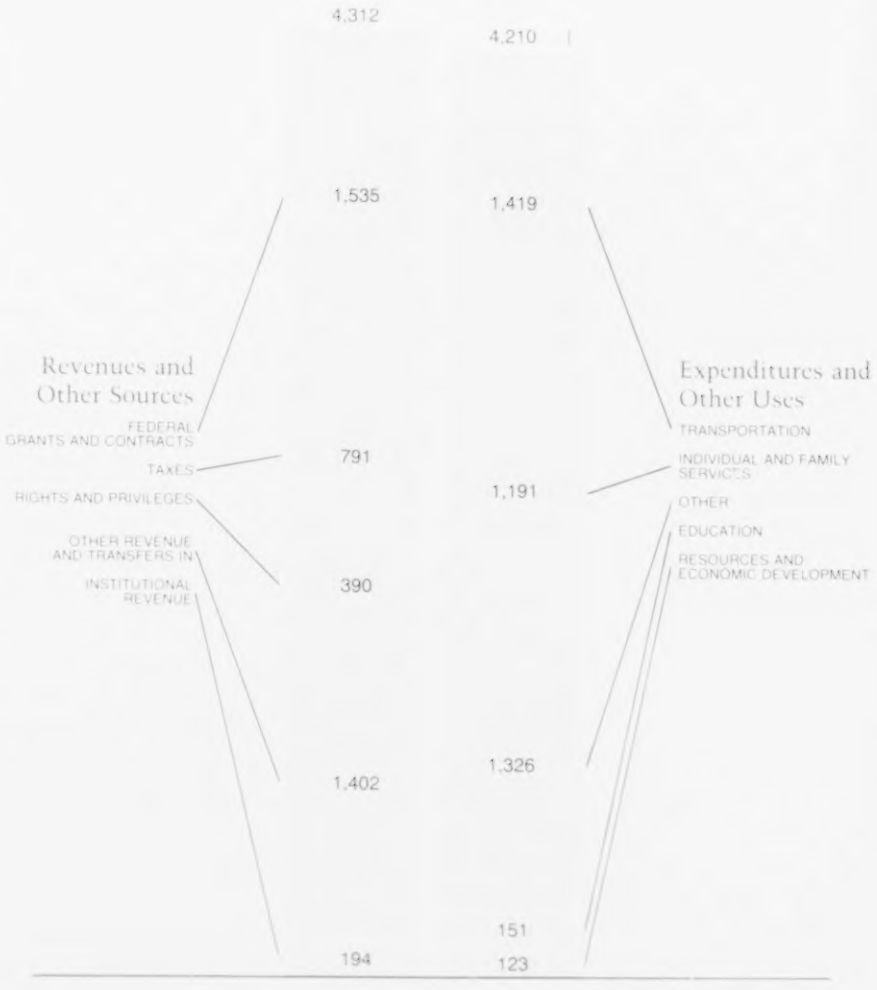
Human Resources—to account for revenues and expenditures associated with local health care assistance, substance abuse, and the care of those who are mentally and physically handicapped.

Natural Resources—to account for revenues and expenditures associated with activities aimed at improving and protecting the environment.

Transportation and Public Safety—to account for revenues and expenditures related to aviation, marine terminals, and the promotion of public safety.

Literary—to account for revenues from fines, forfeitures, and proceeds from unclaimed property used to support public education in the Commonwealth.

Special Revenue Funds
Revenues and Expenditures
Fiscal Year 1987
(DOLLARS IN MILLIONS)



Analysis

The graph presented provides a breakdown of revenues and other sources and expenditures and other uses of the Special Revenue Funds for the year ended June 30, 1987, on the modified accrual basis of accounting. Total revenues and other sources exceeded total expenditures and other uses by $103 million.

Revenues and other sources increased primarily as a result of increases of $230 million in taxes, $88 million in rights and privileges, and $65 million in federal grants and contracts. These increases were offset by increases in expenditures and other uses of $111 million in transportation, $37 million in individual and family services, and $39 million in general government.

Combining Balance Sheet
Special Revenue Funds

June 30, 1987
(Dollars in Thousands)

	Highway Maintenance and Construction Fund	Federal Fund	Administration Fund	Economic Development Fund	Human Resources Fund
Assets					
Cash and Cash Equivalents	$ 270,661	$ 27,992	$ 2,024	$ 24,807	$ 20
Petty Cash and Travel Advances	839	156	—	82	219
Taxes, Loans, Accounts, and Other Receivables (Net)	65,531	71,139	766	7,683	27,708
Due from Other Funds	—	—	—	—	43,280
Total Assets	$ 337,031	$ 99,287	$ 2,790	$ 32,572	$ 71,227
Liabilities and Fund Balance					
Liabilities:					
Accounts Payable	$ 136,965	$ 71,026	$ 7	$ 541	$ 2,742
Deposits Pending Distribution	7,031	1	7	—	54
Due to Other Funds	—	19,091	—	—	28,791
Deferred Revenue	6,655	9,164	103	—	—
Accrued Liability for Compensated Absences	118	5	—	17	42
Total Liabilities	150,769	99,287	117	558	31,629
Fund Balance:					
Unreserved:					
Undesignated	256,919	—	1,914	31,371	18,673
Fund Balance—Budgetary Basis	256,919	—	1,914	31,371	18,673
Adjustments from Budget to GAAP	(70,657)	—	759	643	20,925
Total Fund Balance	186,262	—	2,673	32,014	39,598
Total Liabilities and Fund Balance	$ 337,031	$ 99,287	$ 2,790	$ 32,572	$ 71,227

See Notes to the Financial Statements.

Natural Resources Fund	Transportation and Public Safety Fund	Literary Fund	Totals June 30, 1987	Totals June 30, 1986
$ 20,527	$ 13,930	$ 41,179	$ 401,140	$ 328,940
76	5	—	1,377	1,305
2,147	711	50,520	226,205	136,175
—	—	231,225	274,505	260,003
$ 22,750	$ 14,646	$ 322,924	$ 903,227	$ 726,423
$ 929	$ 3,016	$ —	$ 215,226	$ 179,863
13	—	—	7,106	1,327
—	—	—	47,882	24,192
304	—	—	16,226	6,836
—	—	—	182	158
1,246	3,016	—	286,622	212,376
21,114	13,933	322,924	666,848	359,489
21,114	13,933	322,924	666,848	359,489
390	(2,303)	—	(50,243)	154,558
21,504	11,630	322,924	616,605	514,047
$ 22,750	$ 14,646	$ 322,924	$ 903,227	$ 726,423

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Special Revenue Funds

For the Fiscal Year Ended June 30, 1987
(Dollars in Thousands)

	Highway Maintenance and Construction Fund	Federal Fund	Administration Fund	Economic Development Fund	Human Resources Fund
Revenues:					
Taxes	$ 776,785	$ —	$ —	$ 5,580	$ 1,994
Rights and Privileges	316,053	—	360	18,472	28,381
Assessments and Receipts for Support of Special Services	5,689	21	—	18,465	298
Institutional Revenue	1	36	157	—	194,195
Interest, Dividends, and Rents	9,227	1,806	105	368	292
Fines, Forfeitures, Court Fees, Penalties, and Escheats	4,086	—	50	1,242	1,002
Federal Grants and Contracts	400,657	1,133,340	—	—	884
Revenues from Cities, Counties, and Towns	50,125	—	—	—	39,477
Private Donations, Gifts, and Contracts	—	—	—	36	677
Other	3,610	9,230	1,511	553	5,281
Total Revenues	1,566,233	1,144,433	2,283	44,716	272,481
Expenditures:					
General Government	27,614	12,743	814	766	10,391
Education	1,982	129,562	46	—	18,560
Transportation	1,396,794	2,347	1	5,218	5,453
Resources and Economic Development	2,112	59,132	525	24,487	11,730
Individual and Family Services		930,202	33	1,975	254,806
Administration of Justice	2,213	4,480	195	—	3,065
Total Expenditures	1,430,715	1,138,466	1,614	32,446	304,005
Revenues Over (Under) Expenditures	135,518	5,967	669	12,270	(31,524)
Other Financing Sources (Uses):					
Transfers:					
Operating Transfers In	1,008,568	23,938	4	392	116,004
Operating Transfers Out	(1,058,137)	(29,106)	(216)	(11,963)	(93,610)
Appropriations Act	(7,128)	(799)	(522)	(353)	(2,652)
Proceeds from Capital Leases	—	—	—	—	53
Total Other Financing Sources (Uses)	(56,697)	(5,967)	(734)	(11,924)	19,795
Revenues and Other Sources Over (Under) Expenditures and Other Uses	78,821	—	(65)	346	(11,729)
Fund Balance, July 1, as adjusted	107,441	—	2,738	31,668	51,327
Fund Balance, June 30	$ 186,262	$ —	$ 2,673	$ 32,014	$ 39,598

See Notes to the Financial Statements.

Natural Resources Fund	Transportation and Public Safety Fund	Literary Fund	Totals June 30, 1987	Totals June 30, 1986
$ 1,907	$ 4,455	$ —	$ 790,721	$ 560,746
25,926	638	—	389,930	301,677
2,929	—	—	27,402	22,389
—	—	—	194,389	170,655
42	439	3,873	16,152	6,272
73	—	22,658	29,111	28,438
—	—	—	1,534,881	1,470,182
70	—	—	89,672	78,206
971	—	—	1,684	1,110
508	11,729	13,505	45,927	45,435
32,426	17,261	40,036	3,119,869	2,685,110
—	460	—	52,788	13,446
—	7	655	150,812	156,157
753	8,093	—	1,418,659	1,308,188
25,209	22	—	123,217	104,071
4,032	—	—	1,191,048	1,153,784
—	560	—	10,513	8,652
29,994	9,142	655	2,947,037	2,744,298
2,432	8,119	39,381	172,832	(59,188)
900	8,511	34,285	1,192,602	1,138,749
(894)	(15,002)	(41,791)	(1,250,719)	(968,085)
(407)	(349)	—	(12,210)	(9,393)
—	—	—	53	1,276
(401)	(6,840)	(7,506)	(70,274)	162,547
2,031	1,279	31,875	102,558	103,359
19,473	10,351	291,049	514,047	410,688
$ 21,504	$ 11,630	$ 322,924	$ 616,605	$ 514,047

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual—Budgetary Basis Special Revenue Funds

For the Fiscal Year Ended June 30, 1987
(Dollars in Thousands)

	Highway Maintenance and Construction Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Taxes	$ 829,188	$ 758,082	$ (71,106)
Rights and Privileges	260,436	315,558	55,122
Assessments and Receipts for Support of Special Services	4,057	5,689	1,632
Institutional Revenue	—	1	1
Interest, Dividends, and Rents	1,800	9,227	7,427
Fines, Forfeitures, Court Fees, Penalties, and Escheats	—	4,085	4,085
Federal Grants and Contracts	354,116	375,053	20,937
Revenues from Cities, Counties, and Towns	19,700	43,846	24,146
Private Donations, Gifts, and Contracts	—	—	—
Other	—	3,610	3,610
Total Revenues	1,469,297	1,515,151	45,854
Expenditures:			
General Government	30,586	25,126	5,460
Education	2,158	1,982	176
Transportation	1,617,059	1,379,696	237,363
Resources and Economic Development	2,103	2,042	61
Individual and Family Services	—	—	—
Administration of Justice	2,639	2,216	423
Total Expenditures	1,654,545	1,411,062	243,483
Revenues Over (Under) Expenditures	(185,248)	104,089	289,337
Other Financing Sources (Uses):			
Transfers:			
Operating Transfers In	—	1,008,568	1,008,568
Operating Transfers Out	—	(1,051,203)	(1,051,203)
Capital Outlay	(6,934)	(6,934)	—
Appropriations Act	(7,128)	(7,128)	—
Total Other Financing Sources (Uses)	(14,062)	(56,697)	(42,635)
Revenues and Other Sources Over (Under) Expenditures and Other Uses	(199,310)	47,392	246,702
Fund Balance, July 1, as adjusted	209,527	209,527	—
Fund Balance, June 30	$ 10,217	$ 256,919	$ 246,702

See Notes to the Financial Statements.

Federal Fund			Administration Fund			Economic Development Fund		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
$ —	$ —	$ —	$ —	$ —	$ —	$ 7,277	$ 5,535	$ (1,742)
—	—	—	470	436	(34)	21,908	18,110	(3,798)
—	21	21	—	—	—	9,449	18,690	9,241
—	36	36	128	157	29	—	—	—
—	—	—	73	96	23	113	388	275
—	—	—	—	—	—	1,071	1,239	168
1,228,240	1,079,065	(149,175)	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
1,057	9,078	8,021	2,065	1,608	(457)	706	419	(287)
1,229,297	1,088,200	(141,097)	2,736	2,297	(439)	40,524	44,381	3,857
35,841	12,696	23,145	943	819	124	848	767	81
171,467	124,720	46,747	319	46	273	—	—	—
2,867	2,328	539	1	1	—	5,397	5,216	181
77,232	58,894	18,338	1,182	527	655	29,359	24,499	4,860
930,454	876,428	54,026	59	33	26	2,146	1,882	264
9,560	4,507	5,053	196	195	1	—	—	—
1,227,421	1,079,573	147,848	2,700	1,621	1,079	37,750	32,364	5,386
1,876	8,627	6,751	36	676	640	2,774	12,017	9,243
—	19,014	19,014	—	4	4	—	392	392
—	(25,765)	(25,765)	—	—	—	—	(11,676)	(11,676)
(1,077)	(1,077)	—	(216)	(216)	—	(287)	(287)	—
(799)	(799)	—	(522)	(522)	—	(353)	(353)	—
(1,876)	(8,627)	(6,751)	(738)	(734)	4	(640)	(11,924)	(11,284)
—	—	—	(702)	(58)	644	2,134	93	(2,041)
—	—	—	1,972	1,972	—	31,278	31,278	—
$ —	$ —	$ —	$ 1,270	$ 1,914	$ 644	$ 33,412	$ 31,371	$ (2,041)

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual—Budgetary Basis Special Revenue Funds (Continued)

For the Fiscal Year Ended June 30, 1987
(Dollars in Thousands)

	Human Resources Fund			Natural Resources Fund		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes	$ 3,417	$ 2,152	$ (1,265)	$ 2,060	$ 1,985	$ (75)
Rights and Privileges	41,131	29,915	(11,216)	27,828	26,383	(1,445)
Assessments and Receipts for Support of Special Services	5,338	165	(5,173)	4,751	2,929	(1,822)
Institutional Revenue	190,971	194,573	3,602	—	—	—
Interest, Dividends, and Rents	850	296	(554)	40	53	13
Fines, Forfeitures, Court Fees, Penalties, and Escheats	1,276	977	(299)	42	73	31
Federal Grants and Contracts	1,021	869	(152)	245	—	(245)
Revenues from Cities, Counties, and Towns	53,730	41,138	(12,592)	—	94	94
Private Donations, Gifts, and Contracts	232	658	426	1,007	906	(101)
Other	110,682	68,923	(41,759)	1,357	663	(694)
Total Revenues	408,648	339,666	(68,982)	37,330	33,086	(4,244)
Expenditures:						
General Government	11,092	10,430	662	—	—	—
Education	19,281	18,486	795	—	—	—
Transportation	5,509	5,301	208	755	755	—
Resources and Economic Development	14,304	11,679	2,625	27,498	24,938	2,560
Individual and Family Services	322,976	318,354	4,622	4,061	4,020	41
Administration of Justice	3,533	3,083	450	—	—	—
Total Expenditures	376,695	367,333	9,362	32,314	29,713	2,601
Revenues Over (Under) Expenditures	31,953	(27,667)	(59,620)	5,016	3,373	(1,643)
Other Financing Sources (Uses):						
Transfers:						
Operating Transfers In	—	116,354	116,354	—	901	901
Operating Transfers Out	—	(91,253)	(91,253)	—	(238)	(238)
Capital Outlay	(2,379)	(2,379)	—	(656)	(656)	—
Appropriations Act	(2,652)	(2,652)	—	(407)	(407)	—
Total Other Financing Sources (Uses)	(5,031)	20,070	25,101	(1,063)	(400)	663
Revenues and Other Sources Over (Under) Expenditures and Other Uses	26,922	(7,597)	(34,519)	3,953	2,973	(980)
Fund Balance, July 1, as adjusted	26,270	26,270	—	18,141	18,141	—
Fund Balance, June 30	$ 53,192	$ 18,673	$ (34,519)	$ 22,094	$ 21,114	$ (980)

See Notes to the Financial Statements.

Transportation and Public Safety Fund			Literary Fund			Total Special Revenue Funds		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
$ 5,462	$ 4,206	$ (1,256)	$ —	$ —	$ —	$ 847,404	$ 771,960	$ (75,444)
1,097	631	(466)	—	—	—	352,870	391,033	38,163
—	—	—	—	—	—	23,595	27,494	3,899
—	—	—	—	—	—	191,099	194,767	3,668
597	423	(174)	2,400	3,873	1,473	5,873	14,356	8,483
—	—	—	18,700	22,658	3,958	21,089	29,032	7,943
—	—	—	—	—	—	1,583,622	1,454,987	(128,635)
—	—	—	—	—	—	73,430	85,078	11,648
—	—	—	—	—	—	1,239	1,564	325
11,277	11,789	512	21,000	13,505	(7,495)	148,144	109,595	(38,549)
18,433	17,049	(1,384)	42,100	40,036	(2,064)	3,248,365	3,079,866	(168,499)
464	455	9	—	—	—	79,774	50,293	29,481
8	8	—	—	652	(652)	193,233	145,894	47,339
10,312	5,213	5,099	—	—	—	1,641,900	1,398,510	243,390
4	—	4	—	—	—	151,682	122,579	29,103
—	—	—	—	—	—	1,259,696	1,200,717	58,979
560	560	—	—	—	—	16,488	10,561	5,927
11,348	6,236	5,112	—	652	(652)	3,342,773	2,928,554	414,219
7,085	10,813	3,728	42,100	39,384	(2,716)	(94,408)	151,312	245,720
—	8,511	8,511	22,900	34,284	11,384	22,900	1,188,028	1,165,128
—	(4,993)	(4,993)	(15,000)	(41,791)	(26,791)	(15,000)	(1,226,919)	(1,211,919)
(10,010)	(10,010)	—	—	—	—	(21,559)	(21,559)	—
(349)	(349)	—	—	—	—	(12,210)	(12,210)	—
(10,359)	(6,841)	3,518	7,900	(7,507)	(15,407)	(25,869)	(72,660)	(46,791)
(3,274)	4,972	7,246	50,000	31,877	(18,123)	(120,277)	78,652	198,929
9,961	9,961	—	291,047	291,047	—	588,196	588,196	—
$ 6,687	$ 13,933	$ 7,246	$ 341,047	$ 322,924	$ (18,123)	$ 467,919	$ 666,848	$ 198,929

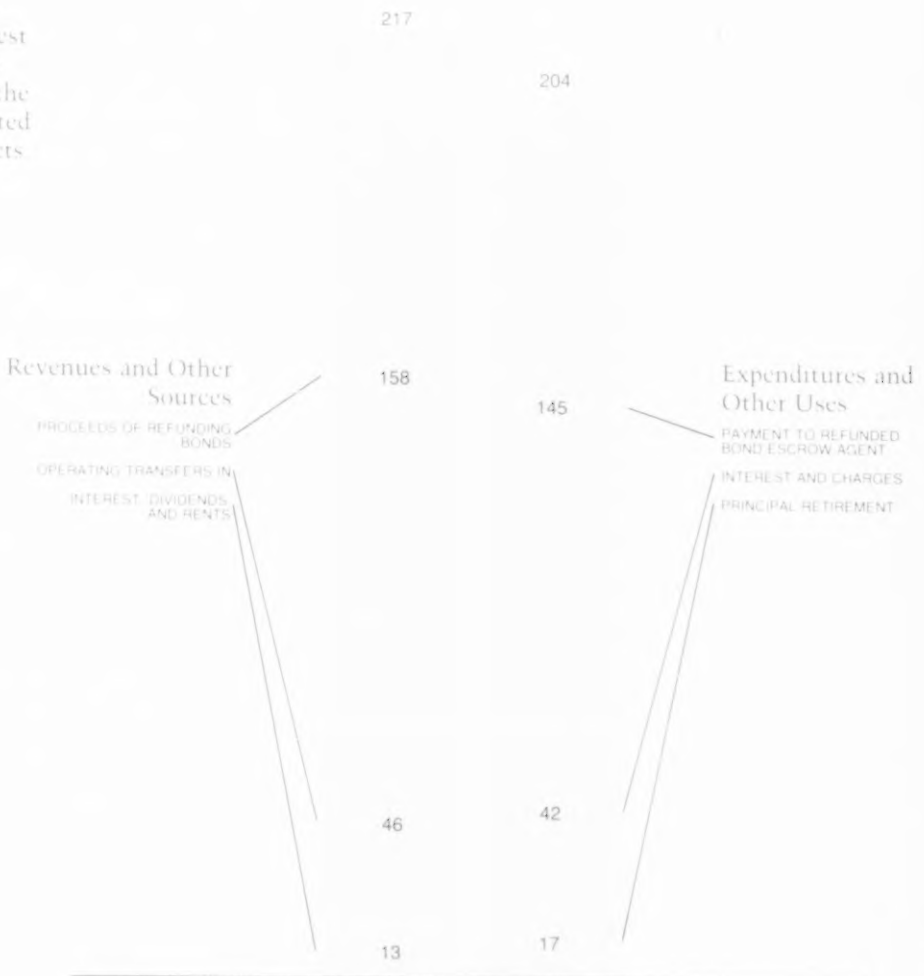
Debt Service Fund

The Debt Service Fund is maintained to account for the resources accumulated and used for the payment of interest and principal on long-term debt reported in the General Long-Term Debt Account Group.

Analysis

For the current year, retirement of Section 9(b) and 9(c) general obligation bonds amounted to $64 million, which included defeasance of the Transportation Facilities Bonds, Series 1982 of $57 million, relating to Dulles Toll Road. These bonds are backed by the full faith and credit of the Commonwealth. Resources to pay principal and interest on all types of long-term debt primarily came from transfers from the General Fund and income associated with Revenue Bond Capital Projects

Debt Service Fund
Revenues and Expenditures
Fiscal Year 1987
(DOLLARS IN MILLIONS)



Balance Sheet
Debt Service Fund

June 30, 1987
(Dollars in Thousands)

	June 30, 1987	June 30, 1986
Assets		
Cash and Cash Equivalents	$ 9,570	$ 8,064
Cash and Investments with Trustees	26,045	13,994
Other Assets	372	372
Total Assets	$ 35,987	$ 22,430
Liabilities and Fund Balance		
Liabilities:		
Matured Interest Payable	$ 5,439	$ 5,258
Matured Debt Payable	577	632
Total Liabilities	6,016	5,890
Fund Balance:		
Unreserved:		
Designated for Debt Service	29,971	16,540
Total Fund Balance	29,971	16,540
Total Liabilities and Fund Balance	$ 35,987	$ 22,430

See Notes to the Financial Statements.

Statement of Revenues, Expenditures, and Changes in Fund Balance Debt Service Fund

For the Fiscal Year Ended June 30, 1987
(Dollars in Thousands)

	Year Ended	
	June 30, 1987	June 30, 1986
Revenues:		
Interest, Dividends, and Rents	$ 13,266	$ 14,196
Total Revenues	13,266	14,196
Expenditures:		
Debt Service:		
Principal Retirement	17,169	11,508
Interest and Charges	42,175	20,129
Total Expenditures	59,344	31,637
Revenues Over (Under) Expenditures	(46,078)	(17,441)
Other Financing Sources (Uses):		
Transfers:		
Operating Transfers In	46,049	15,352
Operating Transfers Out	—	(508)
Proceeds of Refunding Bonds	157,855	—
Payment to Refunded Bond Escrow Agent	(144,395)	—
Total Other Financing Sources (Uses)	59,509	14,844
Revenues and Other Sources Over (Under) Expenditures and Other Uses	13,431	(2,597)
Fund Balance, July 1, as adjusted	16,540	19,137
Fund Balance, June 30	$ 29,971	$ 16,540

See Notes to the Financial Statements.

Capital Projects Fund

The Capital Projects Fund is maintained to account for resources received and used for the acquisition, construction, or improvement of governmental general fixed assets financed principally by general obligation bonds or transfers from the General Fund. Capital projects, in general, are for correctional facilities, mental health institutions, parks, highways, and port facilities.

Analysis

Revenues and other sources totaled $168 million, showing an increase of 157% from 1986. Expenditures and other uses of $137 million increased by 70% from 1986. The net effect of revenues and other sources over expenditures and other uses was an increase of $30 million in fund balance. The increase is primarily attributed to proceeds from the sale of bonds, relating to the Powhite Parkway Extension.

Capital Projects Fund
Revenues and Expenditures
Fiscal Year 1987
(DOLLARS IN MILLIONS)

Balance Sheet
Capital Projects Fund

June 30, 1987
(Dollars in Thousands)

	June 30, 1987	June 30, 1986
Assets		
Cash and Cash Equivalents	$ 32,783	$ 38,452
Cash and Investments with Trustees	20,225	26,493
Investments	43,107	—
Total Assets	$ 96,115	$ 64,945
Liabilities and Fund Balance		
Liabilities:		
Accounts Payable	$ 4,260	$ 3,607
Total Liabilities	4,260	3,607
Fund Balance:		
Unreserved:		
Designated for Capital Construction	91,855	61,338
Total Fund Balance	91,855	61,338
Total Liabilities and Fund Balance	$ 96,115	$ 64,945

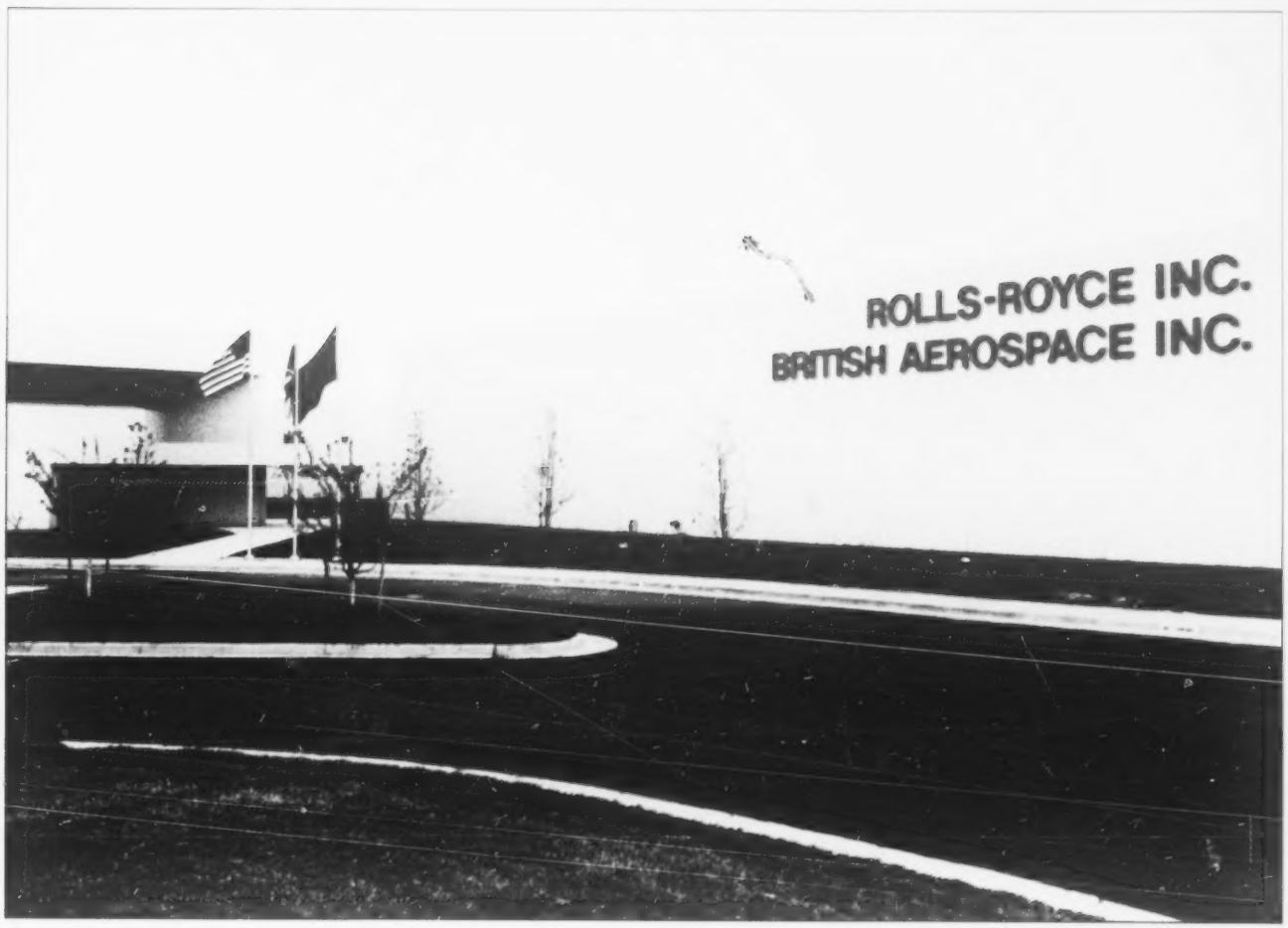
See Notes to the Financial Statements.

Statement of Revenues, Expenditures, and Changes in Fund Balance Capital Projects Fund

For the Fiscal Year Ended June 30, 1987
(Dollars in Thousands)

	Year Ended	
	June 30, 1987	June 30, 1986
Revenues:		
Interest, Dividends, and Rents	$ 9,643	$ 7,296
Revenues From Cities, Counties, and Towns	6,367	—
Other	—	143
Total Revenues	16,010	7,439
Expenditures:		
Capital Projects	128,296	69,802
Total Expenditures	128,296	69,802
Revenues Over (Under) Expenditures	(112,286)	(62,363)
Other Financing Sources (Uses):		
Transfers:		
Operating Transfers In	66,838	57,989
Operating Transfers Out	(9,259)	(11,070)
Proceeds from Capital Leases	7,224	—
Proceeds from Sale of Bonds	78,000	—
Total Other Financing Sources (Uses)	142,803	46,919
Revenues and Other Sources Over (Under) Expenditures and Other Uses	30,517	(15,444)
Fund Balance, July 1, as adjusted	61,338	76,782
Fund Balance, June 30	$ 91,855	$ 61,338

See Notes to the Financial Statements.



VIRGINIA DEPARTMENT OF ECONOMIC DEVELOPMENT

Rolls-Royce/British Aerospace, Inc., a British corporation, selected Washington Dulles International Airport as the site for a sales and distribution center.

Enterprise Funds–State and Public Benefit Corporations

The Enterprise Funds–State are maintained to account for those operations of State government which render services to the general public in a manner similar to private business enterprises. It is the intent that the costs of providing goods or services on a continuing basis be financed or recovered primarily through user charges.

The following are the Enterprise Funds–State activities of the Commonwealth and their functions:

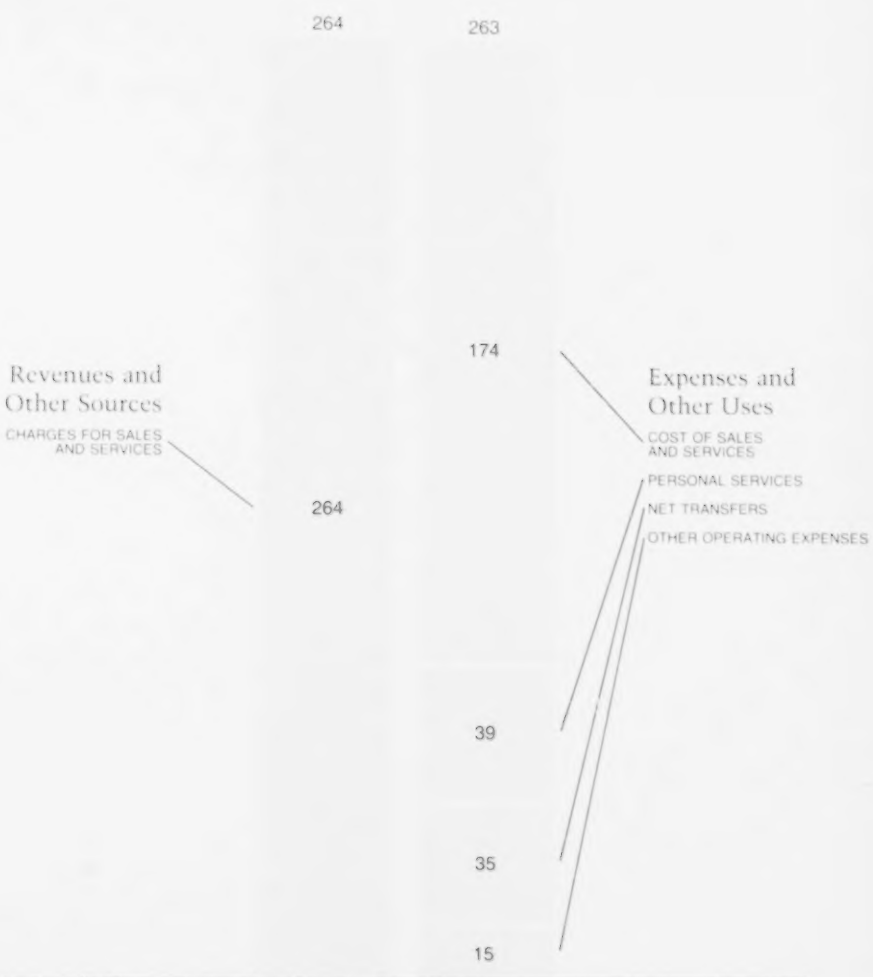
- *Department of Alcoholic Beverage Control—operates facilities for the distribution and sale of distilled spirits and wine.*
- *Virginia Industries for the Blind—manufactures products for sale to governments, certain private organizations, and the general public.*
- *Virginia Museum of Fine Arts—operates gift shop and food services activities.*
- *Division of Legislative Services—accounts for sales of the Virginia Register, a publication which lists all proposed and final state agency regulations.*

Analysis

Enterprise Funds–State

For fiscal 1987, Enterprise Funds received $264.3 million in revenues. Expenses for the same period came to $227 million, yielding an income before operating transfers of $37.3 million. Net operating transfers, primarily legislatively mandated transfers to the General Fund from the Department of Alcoholic Beverage Control, and nonoperating expenses, reduced this figure by $35.7 million, to produce income from operations of $1.6 million in 1987.

Enterprise Funds–State
Revenues and Expenses
Fiscal Year 1987
(DOLLARS IN MILLIONS)



Enterprise Funds–State and Public Benefit Corporations

The Enterprise Funds–Public Benefit Corporations are those public corporations empowered by the Code of Virginia to provide certain services to the citizens of Virginia but which are not agencies of the State. While these organizations are not agencies of the State, generally accepted accounting principles require that they be included as part of the Commonwealth's financial reporting entity. These organizations receive no tax monies from the State, nor is their debt a liability of the State. Based on the criteria established by NCGA Statement 1, "Defining the Governmental Reporting Entity," as recognized by GASB Statement 1, the following public benefit corporations are included in this annual report:

- *Virginia Housing Development Authority (VHDA)*
- *Virginia Education Loan Authority (VELA)*
- *Virginia International Terminals, Inc. (VIT)*
- *Virginia Resources Authority (VRA)*
- *State Education Assistance Authority (SEAA)*
- *Virginia Public School Authority (VPSA)*

VHDA has the authority to finance housing sold or rented to families with low and moderate incomes. Funds are raised through the sale of tax-exempt notes and bonds.

VELA assists students in obtaining loans to attend college.

VRA is responsible for encouraging the investment of both public and private funds in the water and sewer projects of local governments. VRA also makes loans and grants available to local governments to finance these projects.

Enterprise Funds–
Public Benefit Corporations
Revenues and Expenses
Fiscal Year 1987
(DOLLARS IN MILLIONS)

VIT was formed on January 1, 1982, for the purpose of operating marine terminals in Norfolk and Newport News for the Virginia Port Authority. In 1983, VIT was also given the right to operate terminals in Portsmouth.

SEAA guarantees student loans provided to residents by financial institutions of the Commonwealth through a program administered by the federal government.

VPSA is empowered by the Code of Virginia *to issue bonds to finance school capital projects of cities, counties, and towns of the Commonwealth.*

Analysis

Enterprise Funds–Public Benefit Corporations

At year end, Public Benefit Corporations had total assets of $4.3 billion, comprised primarily of loans and accounts receivable and investments. Revenues for the year totaled $407.7 million while expenses and net operating transfers came to $369.3 million, yielding net income of $38.4 million. Net income decreased 12% over fiscal year 1986.

Combining Balance Sheet
Enterprise Funds—State and Public Benefit Corporations

June 30, 1987
(Dollars in Thousands)

	Enterprise-State				Subtotal
	Department of Alcoholic Beverage Control	Virginia Industries for the Blind	Virginia Museum of Fine Arts	Division of Legislative Services	
Assets					
Cash and Cash Equivalents	$ 767	$ 934	$ 328	$ 4	$ 2,033
Cash and Investments with Trustees	—	—	—	—	—
Petty Cash and Travel Advances	—	1	5	—	6
Taxes, Loans, Accounts, and Other Receivables (Net)	1,167	432	66	2	1,667
Due from Other Funds	—	—	—	—	—
Investments	—	—	—	—	—
Inventory	26,539	839	245	—	27,623
Prepaid Expenses	6	1	—	—	7
Property, Plant, and Equipment (Net)	8,728	745	9	—	9,482
Systems Development Costs (Net)	—	—	—	—	—
Unamortized Bond Issuance Expense	—	—	—	—	—
Total Assets	$ 37,207	$ 2,952	$ 653	$ 6	$ 40,818
Liabilities and Fund Equity					
Liabilities:					
Accounts Payable	$ 5,885	$ 118	$ 9	$ 6	$ 6,018
Accrued Interest Payable	—	—	—	—	—
Notes Payable	—	—	—	—	—
Other Liabilities	—	—	12	—	12
Due to Other Funds	15,007	—	—	—	15,007
Loans Payable to the General Fund	6,000	—	—	—	6,000
Deferred Revenue	817	—	—	—	817
Matured Debt Payable	—	—	—	—	—
Bonds Payable	—	—	—	—	—
Due to Program Participants, Escrows, and Providers	—	—	—	—	—
Capital Lease Obligations	693	—	—	—	693
Accrued Liability for Compensated Absences	4,439	86	9	—	4,534
Total Liabilities	32,841	204	30	6	33,081
Fund Equity:					
Contributed Capital	—	644	—	—	644
Retained Earnings	4,366	2,104	623	—	7,093
Total Fund Equity	4,366	2,748	623	—	7,737
Total Liabilities and Fund Equity	$ 37,207	$ 2,952	$ 653	$ 6	$ 40,818

See Notes to the Financial Statements

Enterprise-Public Benefit Corporations						Subtotal	Totals	
Virginia Housing Development Authority	Virginia Education Loan Authority	Virginia International Terminals, Inc.	Virginia Resources Authority	State Education Assistance Authority	Virginia Public School Authority		June 30, 1987	June 30, 1986
$ 621,461	$ 112,676	$ 4,724	$ 10,985	$ 12,365	$ 21,373	$ 783,584	**$ 785,617**	$ 336,306
—	—	—	—	—	1,538	1,538	**1,538**	—
—	—	—	—	—	—	—	**6**	106
1,816,405	385,531	9,317	73,168	3,509	232,725	2,520,655	**2,522,322**	2,421,040
—	—	—	—	—	—	—	**—**	130
566,784	22,729	—	90,348	19,843	256,110	955,814	**955,814**	1,149,605
3,795	—	1,807	—	—	—	5,602	**33,225**	33,152
—	73	1,355	7	14	—	1,449	**1,456**	1,261
4,076	6,582	4,782	20	402	—	15,862	**25,344**	22,475
—	443	—	—	—	—	443	**443**	350
3,173	4,892	—	—	—	—	8,065	**8,065**	2,845
$ 3,015,694	$ 532,926	$ 21,985	$ 174,528	$ 36,133	$ 511,746	$ 4,293,012	**$ 4,333,830**	$ 3,967,270
$ 25,438	$ 516	$ 1,004	$ 54	$ 219	$ —	$ 27,231	**$ 33,249**	$ 25,950
60,186	6,800	—	2,364	—	953	70,303	**70,303**	67,842
1,129	101,283	—	7	—	1,500	103,919	**103,919**	59,116
—	—	4,306	597	456	—	5,359	**5,371**	7,905
—	—	—	547	—	231,225	231,772	**246,779**	238,857
—	—	—	—	—	—	—	**6,000**	7,000
8,086	—	—	616	—	—	8,702	**9,519**	9,336
—	—	—	—	—	1,410	1,410	**1,410**	—
2,606,743	348,065	—	159,115	—	256,110	3,370,033	**3,370,033**	3,116,321
50,226	—	—	—	—	—	50,226	**50,226**	47,877
—	—	—	—	—	—	—	**693**	768
496	—	753	—	123	—	1,372	**5,906**	5,686
2,752,304	456,664	6,063	163,300	798	491,198	3,870,327	**3,903,408**	3,586,658
—	—	2,648	10,200	—	—	12,848	**13,492**	3,754
263,390	76,262	13,274	1,028	35,335	20,548	409,837	**416,930**	376,858
263,390	76,262	15,922	11,228	35,335	20,548	422,685	**430,422**	380,612
$ 3,015,694	$ 532,926	$ 21,985	$ 174,528	$ 36,133	$ 511,746	$ 4,293,012	**$ 4,333,830**	$ 3,967,270

Combining Statement of Revenues, Expenses, and Changes in Retained Earnings Enterprise Funds—State and Public Benefit Corporations

For the Fiscal Year Ended June 30, 1987
(Dollars in Thousands)

	Enterprise-State				Subtotal
	Department of Alcoholic Beverage Control	Virginia Industries for the Blind	Virginia Museum of Fine Arts	Division of Legislative Services	
Operating Revenues:					
Interest, Dividends, and Rents	$ —	$ —	$ —	$ —	$ —
Special Allowance Income	—	—	—	—	—
Charges for Sales and Services	257,763	4,792	1,758	53	264,366
Other	—	—	—	—	—
Total Operating Revenues	257,763	4,792	1,758	53	264,366
Operating Expenses:					
Interest Expense	—	—	—	—	—
Cost of Sales and Services	172,412	—	1,138	—	173,550
Personal Services	36,655	1,647	480	—	38,782
Contractual Services	4,056	116	—	54	4,226
Supplies and Materials	694	2,024	70	—	2,788
Grants and Distributions to Localities	—	60	—	—	60
Expendable Equipment	223	2	4	—	229
Depreciation	1,617	23	5	—	1,645
Amortization	—	—	—	—	—
Rent, Insurance, and Other Related Charges	4,919	64	40	—	5,023
Other	736	9	—	—	745
Total Operating Expenses	221,312	3,945	1,737	54	227,048
Operating Income (Loss)	36,451	847	21	(1)	37,318
Nonoperating Revenues (Expenses):					
Net Gain (Loss) on Sale of Investments	—	—	—	—	—
Interest, Dividends, and Rents	(439)	—	12	—	(427)
Gain (Loss) on Sale of Fixed Assets	(4)	—	—	—	(4)
Grants and Shared Revenues	—	2	—	—	2
Other	177	53	—	—	230
Total Nonoperating Revenues (Expenses)	(266)	55	12	—	(199)
Income (Loss) Before Transfers	36,185	902	33	(1)	37,119
Transfers:					
Operating Transfers In	736	—	—	—	736
Operating Transfers Out	—	—	—	—	—
ABC Profit	(28,905)	—	—	—	(28,905)
Appropriations Act	(7,295)	—	—	—	(7,295)
Total Transfers	(35,464)	—	—	—	(35,464)
Net Income (Loss)	721	902	33	(1)	1,655
Retained Earnings, July 1, as adjusted	3,645	1,202	590	1	5,438
Retained Earnings, June 30	$ 4,366	$ 2,104	$ 623	$ —	$ 7,093

See Notes to the Financial Statements.

Enterprise-Public Benefit Corporations						Subtotal	Totals	
Virginia Housing Development Authority	Virginia Education Loan Authority	Virginia International Terminals, Inc.	Virginia Resources Authority	State Education Assistance Authority	Virginia Public School Authority		June 30, 1987	June 30, 1986
$ 250,282	$ 40,879	$ —	$ 12,014	$ 2,406	$ 22,593	$ 328,174	$ 328,174	$ 314,370
—	5,645	—	—	—	—	5,645	5,645	26,610
2,561	—	47,831	—	22,594	—	72,986	337,352	314,181
605	3	—	—	—	146	754	754	465
253,448	46,527	47,831	12,014	25,000	22,739	407,559	671,925	655,626
211,224	36,883	—	10,306	—	12,150	270,563	270,563	256,770
6,600	—	30,456	—	—	—	37,056	210,606	212,912
5,284	2,259	8,539	108	933	—	17,123	55,905	53,6.0
—	—	2,383	233	23,933	—	26,549	30,775	26,456
—	—	811	—	25	—	836	3,624	3,719
—	—	—	—	—	—	—	60	61
—	—	113	—	—	—	113	342	408
214	291	1,023	7	—	—	1,535	3,180	2,857
—	1,443	—	—	—	—	1,443	1,443	93
—	—	—	—	100	—	100	5,123	4,546
1,458	2,348	2,618	92	—	—	6,516	7,261	6,773
224,780	43,224	45,943	10,746	24,991	12,150	361,834	588,882	568,205
28,668	3,303	1,888	1,268	9	10,589	45,725	83,043	87,421
—	—	—	—	186	—	186	186	—
—	—	—	—	—	—	—	(427)	(689)
—	—	—	—	—	—	—	(4)	(10)
—	—	—	—	—	—	—	2	168
—	—	—	—	—	—	—	230	194
—	—	—	—	186	—	186	(13)	(337)
28,668	3,303	1,888	1,268	195	10,589	45,911	83,030	87,084
—	—	—	—	—	53,643	53,643	54,379	28,214
—	—	—	—	—	(61,137)	(61,137)	(61,137)	(244,796)
—	—	—	—	—	—	—	(28,905)	(29,738)
—	—	—	—	—	—	—	(7,295)	(6,696)
—	—	—	—	—	(7,494)	(7,494)	(42,958)	(253,016)
28,668	3,303	1,888	1,268	195	3,095	38,417	40,072	(165,932)
234,722	72,959	11,386	(240)	35,140	17,453	371,420	376,858	542,790
$ 263,390	$ 76,262	$ 13,274	$ 1,028	$ 35,335	$ 20,548	$ 409,837	$ 416,930	$ 376,858

Combining Statement of Changes in Financial Position
Enterprise Funds–State and Public Benefit Corporations

For the Fiscal Year Ended June 30, 1987
(Dollars in Thousands)

	Enterprise–State				Subtotal
	Department of Alcoholic Beverage Control	Virginia Industries for the Blind	Virginia Museum of Fine Arts	Division of Legislative Services	
Sources of Working Capital:					
Operations:					
Net Income (Loss)	$ 721	$ 902	$ 33	$ (1)	$ 1,655
Items Not Requiring Working Capital:					
Depreciation	1,617	23	5	—	1,645
Amortization	—	—	—	—	—
Loss (Gain) on Sale of Fixed Assets	4	—	—	—	4
Compensated Absences	41	6	9	—	56
Total Working Capital Provided by Operations	2,383	931	47	(1)	3,360
Sale of Fixed Assets	62	26	—	—	88
Increase in Contributed Capital	—	—	—	—	—
Increase in Long-Term Debt Payable	—	—	—	—	—
Decrease in Bond Issuance Expense	—	—	—	—	—
Decrease in Long-Term Receivables	—	—	—	—	—
Decrease in Long-Term Investments	—	—	—	—	—
Increase in Retained Earnings Due to Prior-Period Adjustment	—	—	—	—	—
Total Sources of Working Capital	2,445	957	47	(1)	3,448
Uses of Working Capital:					
Acquisition of Property, Plant, and Equipment	976	—	—	—	976
Increase in Bond Issuance Expense	—	—	—	—	—
Increase in Systems Development Costs	—	—	—	—	—
Increase in Long-Term Investments	—	—	—	—	—
Increase in Long-Term Receivables	—	—	—	—	—
Decrease in Long-Term Debt Payable	1,075	—	—	—	1,075
Decrease in Contributed Capital	—	882	—	—	882
Decrease in Retained Earnings Due to Prior-Period Adjustment	—	—	—	—	—
Total Uses of Working Capital	2,051	882	—	—	2,933
Net Increase (Decrease) in Working Capital	$ 394	$ 75	$ 47	$ (1)	$ 515
Elements of Net Increase (Decrease) in Working Capital:					
Cash and Cash Equivalents	$ 15	$ (75)	$ 10	$ (1)	$ (51)
Receivables	(135)	(102)	40	(3)	(200)
Inventories	(67)	154	5	—	92
Prepaid Expenses	2	(1)	—	—	1
Payables, Deposits, and Other Liabilities	637	99	(8)	3	731
Deferred Revenue	(58)	—	—	—	(58)
Due to Program Participants, Escrows, and Providers	—	—	—	—	—
Due from Other Funds	—	—	—	—	—
Net Increase (Decrease) in Working Capital	$ 394	$ 75	$ 47	$ (1)	$ 515

See Notes to the Financial Statements.

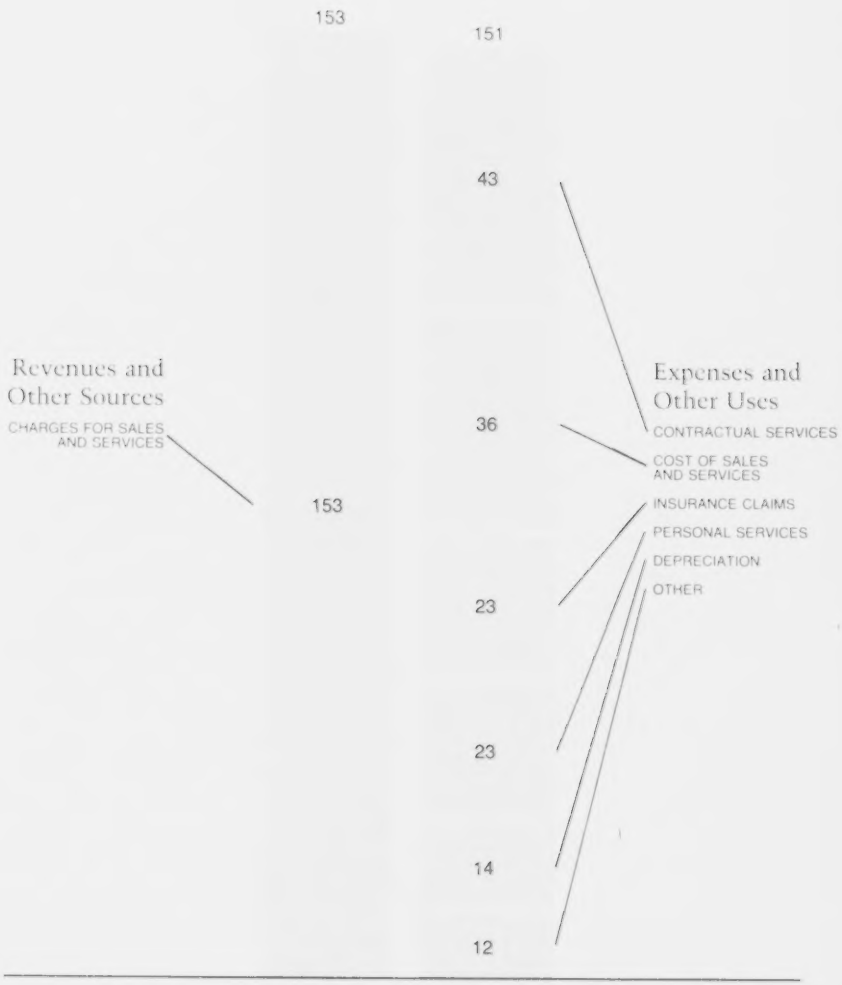
Enterprise–Public Benefit Corporations						Subtotal	Totals	
Virginia Housing Development Authority	Virginia Education Loan Authority	Virginia International Terminals, Inc.	Virginia Resources Authority	State Education Assistance Authority	Virginia Public School Authority		June 30, 1987	June 30, 1986
$ 28,668	$ 3,303	$ 1,888	$ 1,268	$ 195	$ 3,095	$ 38,417	$ 40,072	$ (165,932)
214	291	1,023	7	—	—	1,535	3,180	2,857
—	1,443	—	—	—	—	1,443	1,443	93
—	—	—	—	—	—	—	4	10
11	—	85	—	67	—	163	219	581
28,893	5,037	2,996	1,275	262	3,095	41,558	44,918	(162,391)
—	—	13	—	—	—	13	101	31
—	—	420	10,200	—	—	10,620	10,620	798
160,388	94	—	97,488	—	32,870	290,840	290,840	589,672
—	—	—	—	—	—	—	—	73
—	4,877	—	—	—	—	4,877	4,877	—
504,878	5,291	—	—	5,706	—	515,875	515,875	—
—	—	—	—	—	—	—	—	126
694,159	15,299	3,429	108,963	5,968	35,965	863,783	867,231	428,309
1,285	2,960	849	4	81	—	5,179	6,155	6,115
328	36	—	—	—	—	364	364	781
—	218	—	9,740	—	—	9,958	9,958	—
—	—	—	88,088	—	16,001	104,089	104,089	9,454
81,677	—	—	—	—	10,810	92,487	92,487	10,956
—	—	—	—	—	—	—	1,075	18,250
—	—	—	—	—	—	—	882	—
—	—	—	—	—	—	—	—	766
83,290	3,214	849	97,832	81	26,811	212,077	215,010	46,322
$ 610,869	$ 12,085	$ 2,580	$ 11,131	$ 5,887	$ 9,154	$ 651,706	$ 652,221	$ 381,987
$ 620,184	$ 12,067	$ 2,731	$ 10,954	$ 7,890	$ 14,969	$ 668,795	$ 668,744	$ 361,757
3,939	122	(472)	2,182	(1,765)	—	4,006	3,[illegible]	40,551
(615)	—	595	—	—	—	(20)	72	(1,099)
—	(17)	196	1	13	—	193	194	141
(10,432)	(87)	(470)	(1,737)	(251)	(5,815)	(18,792)	(18,061)	(4,570)
142	—	—	(269)	—	—	(127)	(185)	(1,501)
(2,349)	—	—	—	—	—	(2,349)	(2,349)	(13,422)
—	—	—	—	—	—	—	—	130
$ 610,869	$ 12,085	$ 2,580	$ 11,131	$ 5,887	$ 9,154	$ 651,706	$ 652,221	$ 381,987

Internal Service Funds

Internal Service Funds are maintained to account for the operations of State agencies which render services to other State agencies, institutions, or other governmental units of the Commonwealth on a cost-reimbursement basis. The following are the Internal Service Funds of the Commonwealth and their functions:

- *Department of Information Technology—to account for the installation and maintenance of the State government's telephone system; the development, use, and maintenance of the Commonwealth's data processing systems; and the development of automated systems.*
- *Bureau of Industrial Enterprises—to account for the manufacturing activities of the State's correctional facilities.*
- *Central Garage—to account for the Commonwealth's motor vehicle pool.*
- *State Surplus Property—to account for the transfer and sale of State-owned surplus property.*
- *Federal Surplus Property—to account for the transfer and sale of the federally-owned surplus property.*
- *Maintenance and Repair—to account for services outside the scope of normal maintenance or custodial services provided to agencies by the Bureau of Buildings and Grounds.*
- *Central Warehouse—to account for supplies purchased for and used by State agencies.*
- *Office of Graphic Communications—to account for the Commonwealth's graphic design division.*
- *Risk Management—to account for the insurance programs provided to State agencies and institutions.*

Internal Service Funds
Revenues and Expenses
Fiscal Year 1987
(DOLLARS IN MILLIONS)



Analysis

During 1987, Internal Service Funds received $153 million in operating revenues, which represented an increase of 12% over 1986, and had operating expenses of $148 million, which represented an increase of 9% over 1986. Income before operating transfers of $4.2 million represented an increase of $4.8 million over 1986.

Combining Balance Sheet
Internal Service Funds

June 30, 1987
(Dollars in Thousands)

	Information Technology	Industrial Enterprises
Assets		
Cash and Cash Equivalents	$ 318	$ 1,431
Petty Cash and Travel Advances	27	3
Taxes, Loans, Accounts, and Other Receivables (Net)	7,829	1,874
Inventory	167	8,109
Prepaid Expenses	73	1
Property, Plant, and Equipment (Net)	17,596	6,121
Total Assets	$ 26,010	$ 17,539
Liabilities and Fund Equity		
Liabilities:		
Accounts Payable	$ 5,008	$ 553
Notes Payable	14,748	—
Other Liabilities	—	—
Due to Other Funds	716	—
Loans Payable to the General Fund	1,610	—
Deferred Revenue	9	202
Capital Lease Obligations	406	—
Accrued Liability for Compensated Absences	1,439	395
Total Liabilities	23,936	1,150
Fund Equity:		
Contributed Capital	—	5,676
Retained Earnings	2,074	10,713
Total Fund Equity	2,074	16,389
Total Liabilities and Fund Equity	$ 26,010	$ 17,539

See Notes to the Financial Statements.

Central Garage	State Surplus Property	Federal Surplus Property	Maintenance and Repair	Central Warehouse	Office of Graphic Communications	Risk Management	Totals June 30, 1987	Totals June 30, 1986
$ 1,942	$ 83	$ 65	$ 225	$ 4	$ 63	$ 21,229	**$ 25,360**	$ 24,821
—	—	—	—	—	—	1	**31**	31
1,226	—	71	367	1,792	45	138	**13,342**	11,944
—	—	—	—	2,957	—	—	**11,233**	11,178
—	—	—	—	—	—	158	**232**	193
12,762	127	605	—	1,082	5	11	**38,309**	41,671
$ 15,930	$ 210	$ 741	$ 592	$ 5,835	$ 113	$ 21,537	**$ 88,507**	$ 89,838
$ 349	$ 2	$ 3	$ 145	$ 345	$ 7	$ 47	**$ 6,459**	$ 5,268
—	—	—	—	—	—	—	**14,748**	17,910
—	—	—	175	—	—	319	**494**	1,116
—	—	—	—	1,564	—	—	**2,280**	4,150
—	—	—	—	2,400	53	11,870	**15,933**	16,370
—	—	—	—	—	—	1,335	**1,546**	80
—	—	—	—	—	—	—	**406**	767
51	20	45	—	81	9	20	**2,060**	1,872
400	22	48	320	4,390	69	13,591	**43,926**	47,533
—	1	19	—	—	—	—	**5,696**	5,696
15,530	187	674	272	1,445	44	7,946	**38,885**	36,609
15,530	188	693	272	1,445	44	7,946	**44,581**	42,305
$ 15,930	$ 210	$ 741	$ 592	$ 5,835	$ 113	$ 21,537	**$ 88,507**	$ 89,838

Combining Statement of Revenues, Expenses, and Changes in Retained Earnings Internal Service Funds

For the Fiscal Year Ended June 30, 1987
(Dollars in Thousands)

	Information Technology	Industrial Enterprises	Central Garage
Operating Revenues:			
Charges for Sales and Services	$ 73,930	$ 17,579	$ 7,966
Other	—	—	—
Total Operating Revenues	73,930	17,579	7,966
Operating Expenses:			
Cost of Sales and Services	—	12,304	—
Insurance Claims	—	—	—
Personal Services	17,905	2,420	565
Contractual Services	38,400	487	1,654
Supplies and Materials	1,059	167	1,268
Grants and Distributions to Localities	—	—	—
Expendable Equipment	350	65	22
Depreciation	10,600	802	2,482
Rent, Insurance, and Other Related Charges	3,588	246	235
Other	11	6	1
Total Operating Expenses	71,913	16,497	6,227
Operating Income (Loss)	2,017	1,082	1,739
Nonoperating Revenues (Expenses):			
Interest, Dividends, and Rents	(1,564)	—	—
Discounts	—	—	—
Gain (Loss) on Sale of Fixed Assets	14	—	148
Other	521	5	—
Total Nonoperating Revenues (Expenses)	(1,029)	5	148
Income (Loss) Before Transfers	988	1,087	1,887
Transfers:			
Operating Transfers In	306	—	—
Operating Transfers Out	(306)	(1,037)	—
Appropriations Act	—	—	(762)
Total Transfers	—	(1,037)	(762)
Net Income (Loss)	988	50	1,125
Retained Earnings, July 1, as adjusted	1,086	10,663	14,405
Retained Earnings, June 30	$ 2,074	$ 10,713	$ 15,530

See Notes to the Financial Statements.

State Surplus Property	Federal Surplus Property	Maintenance and Repair	Central Warehouse	Office of Graphic Communications	Risk Management	Totals Year Ended June 30, 1987	Totals Year Ended June 30, 1986
$ 413	$ 511	$ 3,352	$ 24,753	$ 281	$ 23,567	$ 152,352	$ 136,422
—	—	—	—	—	237	237	208
413	511	3,352	24,753	281	23,804	152,589	136,630
—	—	—	23,353	—	—	35,657	33,551
—	—	—	—	—	22,991	22,991	17,657
189	458	—	886	145	388	22,956	17,774
101	57	1,688	368	115	88	42,958	39,559
22	26	365	50	5	3	2,965	3,415
—	—	—	7	—	1	8	21
—	3	8	9	1	92	550	953
38	29	—	121	1	1	14,074	12,491
44	35	951	77	9	103	5,288	4,272
—	—	230	—	—	—	248	5,826
394	608	3,242	24,871	276	23,667	147,695	135,519
19	(97)	110	(118)	5	137	4,894	1,111
—	30	—	1	—	—	(1,533)	(1,699)
—	—	—	121	—	—	121	133
—	—	—	(1)	—	—	161	(194)
1	—	—	14	—	—	541	79
1	30	—	135	—	—	(710)	(1,681)
20	(67)	110	17	5	137	4,184	(570)
—	—	—	—	—	—	306	—
(1)	—	(4)	(2)	(1)	(1)	(1,352)	(863)
—	—	—	—	—	(100)	(862)	(1,760)
(1)	—	(4)	(2)	(1)	(101)	(1,908)	(2,623)
19	(67)	106	15	4	36	2,276	(3,193)
168	741	166	1,430	40	7,910	36,609	39,802
$ 187	$ 674	$ 272	$ 1,445	$ 44	$ 7,946	$ 38,885	$ 36,609

Combining Statement of Changes in Financial Position Internal Service Funds

For the Fiscal Year Ended June 30, 1987
(Dollars in Thousands)

	Information Technology	Industrial Enterprises	Central Garage	State Surplus Property
Sources of Working Capital:				
Operations:				
Net Income (Loss)	$ 988	$ 50	$ 1,125	$ 19
Items Not Requiring Working Capital:				
Depreciation	10,600	802	2,482	38
Loss (Gain) on Sale of Fixed Assets	(14)	—	(148)	—
Compensated Absences	109	37	5	4
Total Working Capital Provided by Operations	11,683	889	3,464	61
Sale of Fixed Assets	1,971	—	448	—
Increase in Contributed Capital	—	—	—	—
Increase in Long-Term Debt Payable	2,692	—	—	—
Total Sources (Uses) of Working Capital	16,346	889	3,912	61
Uses of Working Capital:				
Acquisition of Property, Plant, and Equipment	7,693	720	4,439	39
Decrease in Long-Term Debt Payable	6,924	—	—	—
Decrease in Retained Earnings Due to Prior-Period Adjustment	—	—	—	—
Decrease in Capital Leases	361	—	—	—
Total Uses of Working Capital	14,978	720	4,439	39
Net Increase (Decrease) in Working Capital	$ 1,368	$ 169	$ (527)	$ 22
Elements of Net Increase (Decrease) in Working Capital:				
Cash and Cash Equivalents	$ (359)	$ (27)	$ (493)	$ 20
Receivables	712	(145)	42	—
Inventories	(306)	436	—	—
Prepaid Expenses	(118)	(1)	—	—
Payables, Deposits, and Other Liabilities	1,398	78	(76)	2
Deferred Revenue	41	(172)	—	—
Net Increase (Decrease) in Working Capital	$ 1,368	$ 169	$ (527)	$ 22

See Notes to the Financial Statements.

Federal Surplus Property	Maintenance and Repair	Central Warehouse	Office of Graphic Communications	Risk Management	Totals Year Ended June 30, 1987	Totals Year Ended June 30, 1986
$ (67)	$ 106	$ 15	$ 4	$ 36	**$ 2,276**	$ (3,193)
29	—	121	1	1	**14,074**	12,491
—	—	1	—	—	**(161)**	194
2	—	9	2	20	**188**	236
(36)	106	146	7	57	**16,377**	9,728
—	—	—	—	—	**2,419**	254
—	—	—	—	—	**—**	1,816
—	—	—	—	—	**2,692**	14,119
(36)	106	146	7	57	**21,488**	25,917
8	—	57	2	12	**12,970**	19,587
—	—	200	8	—	**7,132**	9,557
—	—	—	—	—	**—**	315
—	—	—	—	—	**361**	375
8	—	257	10	12	**20,463**	29,834
$ (44)	$ 106	$ (111)	$ (3)	$ 45	**$ 1,025**	$ (3,917)
$ (56)	$ 46	$ 4	$ (33)	$ 1,437	**$ 539**	$ (2,092)
10	197	406	32	144	**1,398**	1,509
—	—	(75)	—	—	**55**	256
—	—	—	—	158	**39**	(297)
2	(137)	(446)	(2)	(359)	**460**	(3,330)
—	—	—	—	(1,335)	**(1,466)**	37
$ (44)	$ 106	$ (111)	$ (3)	$ 45	**$ 1,025**	$ (3,917)

Norfolk International (right), Richmond International (below), and Roanoke (far right) Airports handle nearly 5.5 million passengers a year on over 400 daily flights.

NORFOLK INTERNATIONAL AIRPORT

RICHMOND INTERNATIONAL AIRPORT

ROANOKE AIRPORT

—WASHINGTON DULLES INTERNATIONAL AIRPORT

Washington Dulles International Airport, a futuristic complex designed by Ero Saarinen and located in Northern Virginia, is a full-service airport serving over 10 million passengers a year. Direct service is offered to Tokyo, Japan and Frankfurt, Germany.

Trust and Agency Funds

Trust and Agency Funds are maintained to account for assets held by the Commonwealth in the capacity of a trustee or agent. These funds include pension trusts, nonexpendable trusts, numerous expendable fiduciary funds, and agency funds.

Pension Trust Funds reflect the activities of the retirement systems administered by the Virginia Supplemental Retirement System (VSRS) for the Commonwealth. Employees participate in one of three contributory retirement systems. The Virginia Supplemental Retirement System provides retirement benefits to Commonwealth employees and teachers. The State Police Officers' Retirement System provides retirement benefits to Virginia State police officers, and the Judicial Retirement System provides retirement benefits to the Commonwealth's judiciary. The Pooled Assets Account accounts for all investment activities of the VSRS. The Administration Fund reflects transactions related to the administration and trust fund management activities of the VSRS.

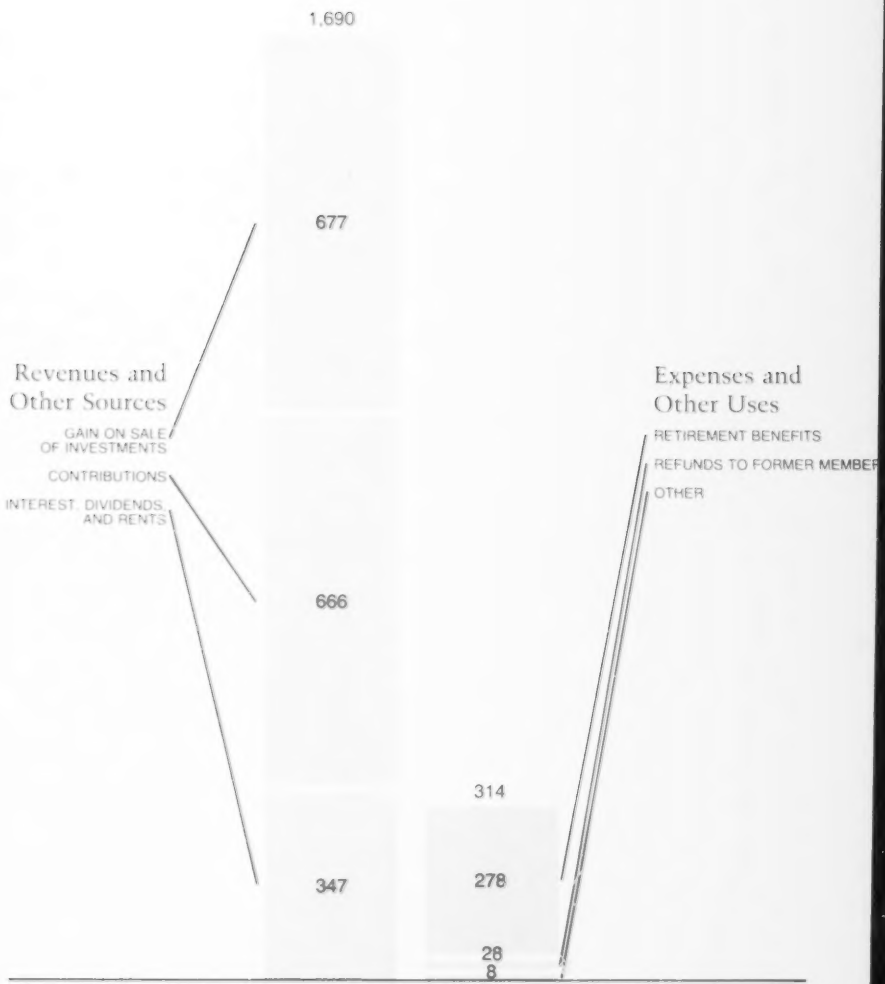
Nonexpendable Trust Funds are those whose principal must be preserved intact. The Virginia Museum Nonexpendable Trust Fund (Virginia Museum of Fine Arts) supports the expendable trusts at the Virginia Museum by transferring investment income to these trusts.

Expendable Trust Funds are those whose principal and income may be expended in the course of their designated operations. The numerous expendable trust activities of the Commonwealth are combined on a functional basis in accordance with NCGA Statement 7 into the following funds: Administration Fund, Economic Development Fund, Education Fund, Human Resources Fund, Natural Resources Fund, and Transportation and Public Safety Fund.

Agency Funds report those funds for which the State acts solely in a custodial capacity. Agency funds include the following:

- *Funds for the Collections of Taxes and Fees—account for taxes and fees collected by the Commonwealth to be distributed to localities or other states.*
- *Legal Settlement Fund—accounts for receipts from court judgments which are deposited and subsequently distributed to the appropriate injured parties.*
- *Employee Benefits Fund—accounts for undistributed withholdings for employee benefits.*

Pension Trust Funds
Revenues and Expenses
Fiscal Year 1987
(DOLLARS IN MILLIONS)



- *Deferred Compensation Fund—accounts for employee earnings invested by the Virginia Supplemental Retirement System, pursuant to the Government Employees Deferred Compensation Plan Act.*
- *Mined Land Deposits Fund—accounts for reimbursable deposits, including both cash and securities, from mining companies to ensure reclamation of mined lands.*
- *Deposits of Insurance Carriers Fund—accounts for security deposits of insurance carriers as protection to the policy holders of the Commonwealth.*
- *Local Government Investment Pool Fund—accounts for investments held by the Commonwealth on behalf of local governments.*
- *Federal Aviation Fund—accounts for Federal monies received by the Commonwealth to reimburse localities for the expansion and improvement of airport systems.*
- *Inmate and Ward Trust Fund (Department of Corrections)—accounts for the savings of inmates.*
- *Child Support Collections Fund—accounts for court-ordered child support payments that flow through the Department of Social Services.*

Analysis

Pension Trust operating revenues increased 34%, while operating expenses increased 4.3% over the prior year. The revenue increase resulted from an increase in retirement system member contributions for the year. Nonoperating revenues from interest, dividends, and rents and gains on sale of investments increased 20% over the prior year. The result of these activities was net income of $1.4 billion in 1987.

Combining Balance Sheet
All Trust and Agency Funds

June 30, 1987
(Dollars in Thousands)

	Pension Trust Funds					
	Virginia Supplemental Retirement System	State Police Officers' Retirement System	Judicial Retirement System	Pooled Assets Account	Administration Fund	Total Pension Trust Funds
Assets						
Cash and Cash Equivalents	$ 56	$ —	$ —	$ 696,005	$ 1,163	$ 697,224
Cash and Investments with Trustees	—	—	—	—	—	—
Petty Cash and Travel Advances	—	—	—	—	—	—
Taxes, Loans, Accounts, and Other Receivables (Net)	40,129	—	—	63,244	4	103,377
Investments	—	—	—	5,750,015	—	5,750,015
Inventory	—	—	—	—	—	—
Other Assets	—	—	—	—	—	—
Property, Plant, and Equipment (Net)	—	—	—	—	906	906
Equity Distribution From Pooled Assets	6,367,132	85,665	51,025	(6,503,822)	—	—
Total Assets	$ 6,407,317	$ 85,665	$ 51,025	$ 5,442	$ 2,073	$ 6,551,522
Liabilities and Fund Equity						
Liabilities:						
Accounts Payable	$ 29,647	$ 289	$ 509	$ 5,194	$ 172	$ 35,811
Amounts Due to Localities	—	—	—	—	—	—
Deposits Pending Distribution	—	—	—	—	—	—
Other Liabilities	—	—	—	248	436	684
Deferred Revenue	—	—	—	—	—	—
Due to Program Participants, Escrows, and Providers	—	—	—	—	—	—
Accrued Liability for Compensated Absences	—	—	—	—	277	277
Total Liabilities	29,647	289	509	5,442	885	36,772
Fund Equity:						
Fund Balance:						
Member Reserve for Pension Benefits	1,369,366	19,511	7,406	—	—	1,396,283
Employer Reserve for Pension Benefits	5,008,304	65,865	43,110	—	—	5,117,279
Restricted Gifts, Grants, and Contracts	—	—	—	—	—	—
Unreserved, Designated	—	—	—	—	1,188	1,188
Total Fund Equity	6,377,670	85,376	50,516	—	1,188	6,514,750
Total Liabilities and Fund Equity	$ 6,407,317	$ 85,665	$ 51,025	$ 5,442	$ 2,073	$ 6,551,522

See Notes to the Financial Statements.

Nonexpendable Trust Fund	Expendable Trust Funds							Agency Funds	Totals	
Virginia Museum of Fine Arts	Administration Fund	Economic Development Fund	Education Fund	Human Resources Fund	Natural Resources Fund	Transportation and Public Safety Fund	Total Expendable Trust Funds		June 30, 1987	June 30, 1986
$ 44	$ 62,605	$ 5,407	$ 1,049	$ 3,412	$ 81,322	$ 893	$ 154,688	$ 393,039	$1,244,995	$ 246,207
—	—	554,624	—	—	—	—	554,624	42,591	597,215	505,238
—	9	—	3	—	—	—	12	—	12	12
—	399	22,645	311	83	—	138	23,576	37,455	164,408	154,793
1,875	236,927	—	—	1,037	—	—	237,964	137,589	6,127,443	5,430,649
—	—	—	—	7	—	448	455	—	455	414
—	—	—	—	6	—	—	6	—	6	9
—	—	—	—	—	—	—	—	—	906	860
—	—	—	—	—	—	—	—	—	—	—
$ 1,919	$ 299,940	$ 582,676	$ 1,363	$ 4,545	$ 81,322	$ 1,479	$ 971,325	$ 610,674	$8,135,440	$6,338,182
$ 12	$ 433	$ 8,223	$ 726	$ 1,544	$ 7	$ 364	$ 11,297	$ 60,562	$ 107,682	$ 107,329
—	—	—	—	—	—	—	—	396,454	396,454	143,218
—	—	76	—	—	14	—	90	8,419	8,509	8,724
—	—	125	—	47	—	38	210	2,894	3,788	12,339
—	—	1,938	2	—	—	—	1,940	—	1,940	1,802
—	—	—	—	—	—	—	—	142,345	142,345	126,192
—	—	—	—	—	—	—	—	—	277	284
12	433	10,362	728	1,591	21	402	13,537	610,674	660,995	399,888
—	—	—	—	—	—	—	—	—	1,396,283	1,320,264
—	—	—	—	—	—	—	—	—	5,117,279	3,816,588
1,907	—	—	—	—	—	—	—	—	1,907	—
—	299,507	572,314	635	2,954	81,301	1,077	957,788	—	958,976	801,442
1,907	299,507	572,314	635	2,954	81,301	1,077	957,788	—	7,474,445	5,938,294
$ 1,919	$ 299,940	$ 582,676	$ 1,363	$ 4,545	$ 81,322	$ 1,479	$ 971,325	$ 610,674	$8,135,440	$6,338,182

Combining Statement of Revenues, Expenses, and Changes in Fund Balances Pension Trust and Nonexpendable Trust Funds

For the Fiscal Year Ended June 30, 1987
(Dollars in Thousands)

	Pension Trust Funds				
	Virginia Supplemental Retirement System	State Police Officers' Retirement System	Judicial Retirement System	Pooled Assets Account	Administration Fund
Operating Revenues:					
Interest, Dividends, and Rents	$ —	$ —	$ —	$ 347,353	$ —
Contributions	651,442	6,066	8,020	—	—
Net Gain (Loss) Sale of Investments	—	—	—	676,672	—
Other	—	—	—	74	3
Total Operating Revenues	651,442	6,066	8,020	1,024,099	3
Operating Expenses:					
Retirement Benefits	268,555	3,109	6,009	—	—
Refunds to Former Members	28,476	142	7	—	—
Personal Services	—	—	—	—	3,661
Contractual Services	—	—	—	—	2,867
Supplies and Materials	—	—	—	—	94
Expendable Equipment	—	—	—	—	7
Depreciation	—	—	—	—	135
Rent, Insurance, and Other Related Charges	—	—	—	—	659
Other	147	—	—	—	12
Total Operating Expenses	297,178	3,251	6,016	—	7,435
Operating Income (Loss)	354,264	2,815	2,004	1,024,099	(7,432)
Nonoperating Revenues (Expenses):					
Net Gain (Loss) on Sale of Investments	—	—	—	—	—
Interest, Dividends, and Rents	6	—	—	—	—
Total Nonoperating Revenues (Expenses)	6	—	—	—	—
Income (Loss) Before Transfers	354,270	2,815	2,004	1,024,099	(7,432)
Transfers:					
Operating Transfers In	1,051,564	14,423	8,410	—	6,478
Operating Transfers Out	(6,358)	(99)	(83)	(1,074,335)	—
Appropriations Act	—	—	—	—	(42)
Total Transfers	1,045,206	14,324	8,327	(1,074,335)	6,436
Net Income (Loss)	1,399,476	17,139	10,331	(50,236)	(996)
Fund Balance, July 1, as adjusted	4,978,194	68,237	40,185	50,236	2,184
Fund Balance (Deficit), June 30	$ 6,377,670	$ 85,376	$ 50,516	$ —	$ 1,188

See Notes to the Financial Statements.

Total Pension Trust Funds	Nonexpendable Trust Fund: Virginia Museum of Fine Arts	Totals: Year Ended June 30, 1987	Totals: Year Ended June 30, 1986
$ 347,353	$ —	$ 347,353	$ 311,075
665,528	—	665,528	628,498
676,672	—	676,672	324,300
77	—	77	340
1,689,630	—	1,689,630	1,264,213
277,673	—	277,673	251,442
28,625	—	28,625	35,163
3,661	—	3,661	3,265
2,867	—	2,867	10,053
94	—	94	84
7	—	7	6
135	—	135	127
659	—	659	590
159	—	159	60
313,880	—	313,880	300,790
1,375,750	—	1,375,750	963,423
—	208	208	74
6	—	6	5
6	208	214	79
1,375,756	208	1,375,964	963,502
1,080,875	—	1,080,875	630,763
(1,080,875)	—	(1,080,875)	(628,709)
(42)	—	(42)	(35)
(42)	—	(42)	2,019
1,375,714	208	1,375,922	965,521
5,139,036	1,699	5,140,735	4,175,214
$ 6,514,750	$ 1,907	$ 6,516,657	$ 5,140,735

Combining Statement of Changes in Financial Position
Pension Trust and Nonexpendable Trust Funds

For the Fiscal Year Ended June 30, 1987
(Dollars in Thousands)

	Pension Trust Funds				
	Virginia Supplemental Retirement System	State Police Officers' Retirement System	Judicial Retirement System	Pooled Assets Account	Administration Fund
Sources of Working Capital:					
Operations:					
Net Income (Loss)	$ 1,399,476	$ 17,139	$ 10,331	$ (50,236)	$ (996)
Items Not Requiring Working Capital:					
Depreciation	—	—	—	—	135
Amortization	—	—	—	(8,096)	—
Compensated Absences	—	—	—	—	31
Total Working Capital Provided by Operations	1,399,476	17,139	10,331	(58,332)	(830)
Increase in Retained Earnings Due to Prior-Period Adjustment	—	—	—	—	2,203
Total Sources of Working Capital	1,399,476	17,139	10,331	(58,332)	1,373
Uses of Working Capital:					
Acquisition of Property, Plant, and Equipment	—	—	—	—	201
Increase in Long-Term Investments	—	—	—	1,425,538	—
Decrease in Retained Earnings Due to Prior-Period Adjustment	—	—	—	2,203	—
Increase (Decrease) in Equity in Pooled Assets	1,400,727	17,211	10,382	(1,428,320)	—
Total Uses of Working Capital	1,400,727	17,211	10,382	(579)	201
Net Increase (Decrease) in Working Capital	$ (1,251)	$ (72)	$ (51)	$ (57,753)	$ 1,172
Elements of Net Increase (Decrease) in Working Capital:					
Cash and Cash Equivalents	$ 6	$ —	$ —	$ (59,982)	$ (935)
Receivables	(1,965)	(140)	(80)	5,623	(1)
Payables, Deposits, and Other Liabilities	708	68	29	(3,394)	2,108
Net Increase (Decrease) In Working Capital	$ (1,251)	$ (72)	$ (51)	$ (57,753)	$ 1,172

See Notes to the Financial Statements.

Total Pension Trust Funds	Nonexpendable Trust Fund: Virginia Museum of Fine Arts	Totals: Year Ended June 30, 1987	Totals: Year Ended June 30 1986
$ 1,375,714	$ 208	**$ 1,375,922**	$ 965,521
135	—	**135**	127
(8,096)	—	**(8,096)**	(1,455)
31	—	**31**	37
1,367,784	208	**1,367,992**	964,230
2,203	—	**2,203**	69
1,369,987	208	**1,370,195**	964,299
201	—	**201**	201
1,425,538	261	**1,425,799**	611,846
2,203	—	**2,203**	—
—	—	**—**	—
1,427,942	261	**1,428,203**	612,047
$ (57,955)	$ (53)	**$ (58,008)**	$ 352,252
$ (60,911)	$ (51)	**$ (60,962)**	$ 346,838
3,437	—	**3,437**	10,468
(481)	(2)	**(483)**	(5,054)
$ (57,955)	$ (53)	**$ (58,008)**	$ 352,252

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Expendable Trust Funds

For the Fiscal Year Ended June 30, 1987

(Dollars in Thousands)

	Administration Fund	Economic Development Fund	Education Fund	Human Resources Fund
Revenues:				
Taxes	$ —	$ 173,810	$ —	$ —
Assessments and Receipts for Support of Special Services	—	946	—	—
Institutional Revenue	101	—	—	1,065
Interest, Dividends, and Rents	—	48,591	1,341	132
Fines, Forfeitures, Court Fees, Penalties, and Escheats	495	—	—	—
Federal Grants and Contracts	—	—	—	—
Private Donations, Gifts, and Contracts	6	—	5	28
Contributions	163,174	—	—	—
Other	2,493	10,218	10	162
Total Revenues	166,269	233,565	1,356	1,387
Expenditures:				
General Government	114,554	812	—	58
Education	—	—	2,489	—
Transportation	—	—	—	—
Resources and Economic Development	2,417	19	—	—
Individual and Family Services	—	146,691	—	982
Administration of Justice	—	—	—	—
Total Expenditures	116,971	147,522	2,489	1,040
Revenues Over (Under) Expenditures	49,298	86,043	(1,133)	347
Other Financing Sources (Uses):				
Transfers:				
Operating Transfers In	7,110	234	—	—
Operating Transfers Out	(4,920)	—	—	—
Appropriations Act	—	(103)	—	—
Total Other Financing Sources (Uses)	2,190	131	—	—
Revenues and Other Sources Over (Under) Expenditures and Other Uses	51,488	86,174	(1,133)	347
Fund Balance, July 1, as adjusted	248,019	486,140	1,768	2,607
Fund Balance, June 30	$ 299,507	$ 572,314	$ 635	$ 2,954

See Notes to the Financial Statements.

Natural Resources Fund	Transportation and Public Safety Fund	Totals Year Ended June 30, 1987	Totals Year Ended June 30, 1986
$ 84	$ —	$ 173,894	$ 213,450
—	—	946	386
—	5,616	6,782	5,745
5,926	36	56,026	48,761
—	—	495	170
22,600	—	22,600	53,239
—	—	39	37
—	—	163,174	103,097
—	158	13,041	8,022
28,610	5,810	436,997	432,907
129	—	115,553	59,282
—	—	2,489	1,930
—	—	—	424
52	—	2,488	2,351
5,621	—	153,294	145,739
—	5,692	5,692	4,886
5,802	5,692	279,516	214,612
22,808	118	157,481	218,295
6,587	—	13,931	5,481
(6,160)	—	(11,080)	(7,362)
—	—	(103)	(144)
427	—	2,748	(2,025)
23,235	118	160,229	216,270
58,066	959	797,559	581,289
$ 81,301	$ 1,077	$ 957,788	$ 797,559

Combining Statement of Changes in Assets and Liabilities All Agency Funds

For the Fiscal Year Ended June 30, 1987
(Dollars in Thousands)

	Balance (Restated) July 1, 1986	Additions	Deletions	Balance June 30, 1987
Funds for the Collection of Taxes and Fees				
Assets				
Cash and Cash Equivalents	$ 42,800	$ [illegible]	$ [illegible]	$ 45,541
Accounts Receivable	31,836	36,698	31,836	36,698
Total Assets	$ 74,636	$ [illegible]	$ [illegible]	$ 82,239
Liabilities				
Amounts Due to Localities	$ 73,486	$ [illegible]	$ [illegible]	$ 80,804
Other Liabilities	1,150	[illegible]	[illegible]	1,435
Total Liabilities	$ 74,636	$ [illegible]	$ [illegible]	$ 82,239
Legal Settlement Fund				
Assets				
Cash and Cash Equivalents	$ 399	$ [illegible]	$ [illegible]	$ 299
Accounts Receivable	269	374	269	374
Total Assets	$ 368	$ 189	$ 284	$ 673
Liabilities				
Deposits Pending Distribution	$ 368	$ 189	$ 284	$ 673
Total Liabilities	$ 368	$ 189	$ 284	$ 673
Employee Benefits Fund				
Assets				
Cash and Cash Equivalents	$ 38,020	$ [illegible]	$ [illegible]	$ 17,796
Total Assets	$ 38,020	$ [illegible]	$ [illegible]	$ 17,796
Liabilities				
Accounts Payable	$ 38,020	$ [illegible]	$ [illegible]	$ 17,796
Total Liabilities	$ 38,020	$ [illegible]	$ [illegible]	$ 17,796
Deferred Compensation Fund				
Assets				
Cash and Investments with Trustees	$ 32,842	$ 12,826	$ 3,077	$ 42,591
Total Assets	$ 32,842	$ 12,826	$ 3,077	$ 42,591
Liabilities				
Accounts Payable	$ 32,842	$ 12,826	$ 3,077	$ 42,591
Total Liabilities	$ 32,842	$ 12,826	$ 3,077	$ 42,591
Mined Land Deposits Fund				
Assets				
Cash and Cash Equivalents	$ 7,184	$ 852	$ 290	$ 7,746
Total Assets	$ 7,184	$ 852	$ 290	$ 7,746
Liabilities				
Deposits Pending Distribution	$ 7,184	$ 852	$ 290	$ 7,746
Total Liabilities	$ 7,184	$ 852	$ 290	$ 7,746
Deposits of Insurance Carriers Fund				
Assets				
Cash and Cash Equivalents	$ 374	$ [illegible]	$ [illegible]	$ 1,111
Investments	$ 121,913	$ [illegible]	$ [illegible]	$ 137,234
Total Assets	$ 122,287	$ 32,833	$ [illegible]	$ 138,345
Liabilities				
Due to Program Participants, Escrows, and Providers	$ 122,287	$ 32,833	$ [illegible]	$ 138,345
Total Liabilities	$ 122,287	$ 32,833	$ [illegible]	$ 138,345
Local Government Investment Pool Fund				
Assets				
Cash and Cash Equivalents	$ 69,693	$ 808,185	$ 362,743	$ 315,635
Total Assets	$ 69,693	$ 808,185	$ 362,743	$ 315,635
Liabilities				
Amounts Due to Localities	$ 69,693	$ 808,185	$ 362,743	$ 315,635
Total Liabilities	$ 69,693	$ 808,185	$ 362,743	$ 315,635
Inmate/Ward Trust Fund				
Assets				
Cash and Cash Equivalents	$ 611	$ 300	$	$ 911
Investments	477		122	355
Accounts Receivable	342	338	312	368
Total Assets	$ 1,430	$ 638	$ 434	$ 1,634
Liabilities				
Accounts Payable	$ 162	$ 130	$ 117	$ 175
Other Liabilities	1,268	191		1,459
Total Liabilities	$ 1,430	$ 321	$ 117	$ 1,634
Federal Aviation Fund				
Assets				
Cash and Cash Equivalents	$	$ [illegible]	$ [illegible]	$ —
Accounts Receivable	59	15	59	15
Total Assets	$ 59	$ [illegible]	$ [illegible]	$ 15
Liabilities				
Amounts Due to Localities	$ 59	$ [illegible]	$ [illegible]	$ 15
Total Liabilities	$ 59	$ [illegible]	$ [illegible]	$ 15
Child Support Collections Fund				
Assets				
Cash and Cash Equivalents	$ 3,903	$ 63,795	$ 63,698	$ 4,000
Total Assets	$ 3,903	$ 63,795	$ 63,698	$ 4,000
Liabilities				
Due to Program Participants, Escrows, and Providers	$ 3,903	$ 63,795	$ 63,698	$ 4,000
Total Liabilities	$ 3,903	$ 63,795	$ 63,698	$ 4,000
Totals—All Agency Funds				
Assets				
Cash and Cash Equivalents	$ 162,786	$ 2,149,444	$ 1,919,181	$ 393,049
Cash and Investments with Trustees	32,842	12,826	3,077	42,591
Accounts Receivable	32,486	37,425	32,456	37,455
Investments	122,390	22,666	6,667	137,389
Total Assets	$ 350,504	$ 2,221,781	$ 1,961,381	$ 610,674
Liabilities				
Accounts Payable	$ 71,024	$ 783,287	$ 793,749	$ 60,562
Deposits Pending Distribution	652	1,311	544	8,419
Amounts Due to Localities	143,238	1,344,738	1,091,952	396,454
Due to Program Participants, Escrows, and Providers	126,190	96,628	70,474	142,145
Other Liabilities	2,418	5,537	5,061	2,894
Total Liabilities	$ 350,504	$ 2,221,781	$ 1,961,381	$ 610,674

See Notes to the Financial Statements.

—VIRGINIA DEPARTMENT OF ECONOMIC DEVELOPMENT

West Germany-based Klockner Pentaplast located a plastics manufacturing plant in Gordonsville, Virginia.

General Fixed Assets Account Group

The General Fixed Assets Account Group is maintained to account for the land, buildings, improvements, and equipment of the governmental funds. Fixed assets of the proprietary fund types and similar trusts and the Higher Education Fund are accounted for within those funds. Infrastructures, including highways, bridges, and rights-of-way are not capitalized.

The General Fixed Assets Account Group is stated at historical cost or estimated historical cost, with no provision made for depreciation; however, for management purposes, depreciation is calculated using the straight-line method.

The implementation of the fixed assets accounting and control system, which was completed by June 30, 1986, has resulted in the inclusion of values for materially all land, buildings, improvements, equipment, and construction in the financial statements.

Analysis

At June 30, 1987, the general fixed assets recorded in the fixed assets accounting system totaled $1.4 billion. In 1987, $44 million in fixed assets were acquired and $17.4 million in fixed assets were deleted.

Schedule of General Fixed Assets by Source

June 30, 1987

(Dollars in Thousands)

General Fixed Assets:	
Land	$ 176,860
Buildings	712,049
Equipment	412,157
Improvements Other than Buildings	128,742
Construction in Progress	18,895
Total General Fixed Assets	$ 1,448,703
Investments in General Fixed Assets from:	
Capital Lease Obligations	$ 12,599
General Obligation Bonds	21,914
Federal Grants	34,876
Nonfederal Grants	60
General Fund Revenues	877,217
Special Revenue Fund Revenues	391,871
Gifts and Donations	32,162
Local Funds	19,517
Other Funds	58,487
Total Investment in General Fixed Assets, at Cost	$ 1,448,703

See Notes to the Financial Statements.

Schedule of General Fixed Assets By Function and Activity

June 30, 1987
(Dollars in Thousands)

Function and Activity	Land	Buildings	Improvements Other than Buildings	Equipment	Total
Education	$ 5,864	$ 45,973	$ 6	$ 15,865	$ 67,708
Administration of Justice	26,324	176,302	440	73,034	276,100
Individual and Family Services	18,474	221,344	4,650	51,673	296,141
Resources and Economic Development	53,818	29,621	7,146	36,884	127,469
Transportation	32,334	102,151	115,133	215,646	465,264
General Government	39,283	57,265	161	18,474	115,183
Capital Projects	763	79,393	1,206	581	81,943
Total General Fixed Assets Allocated to Functions	$ 176,860	$ 712,049	$ 128,742	$ 412,157	1,429,808
Construction in Progress					18,895
Total General Fixed Assets					$ 1,448,703

See Notes to the Financial Statements.

Schedule of Changes in General Fixed Assets By Function and Activity

For the Fiscal Year Ended June 30, 1987
(Dollars in Thousands)

Function and Activity	(Restated) General Fixed Assets July 1, 1986	Acquisitions	Deletions	General Fixed Assets June 30, 1987
Education	$ 67,741	$ 503	$ 536	**$ 67,708**
Administration of Justice	270,321	9,413	3,634	**276,100**
Individual and Family Services	293,380	7,077	4,316	**296,141**
Resources and Economic Development	125,926	2,262	719	**127,469**
Transportation	466,851	1,786	3,373	**465,264**
General Government	113,372	2,986	1,175	**115,183**
Capital Projects	82,690	1,029	1,776	**81,943**
Construction in Progress	2,065	18,740	1,910	**18,895**
Total General Fixed Assets	$ 1,422,346	$ 43,796	$ 17,439	**$ 1,448,703**

See Notes to the Financial Statements.

General Long-Term Debt Account Group

The General Long-Term Debt Account Group is utilized to account for the outstanding principal balances of the Commonwealth's long-term obligations not reported in the proprietary fund types and similar trust funds or the Higher Education Fund. These include general obligation bonds for capital projects and certain revenue-producing capital projects, which are all backed by the full faith, credit, and taxing power of the Commonwealth, as well as the long-term portion of the liability for compensated absences, and the long-term portion of capital lease obligations. Also included is the long-term debt of the Virginia Port Authority, the Virginia Public Building Authority, and the Norfolk-Virginia Beach Toll Road, which is not backed by the Commonwealth. Listed below are the bonds backed by the Commonwealth:

Analysis

During fiscal year 1987, principal payments on Section 9(b) and 9(c) general obligation bonds amounted to $64 million, which included defeasance of the Transportation Facilities Bonds, Series 1982 of $57 million, which relates to the Dulles Toll Road. As a result of Virginia's conservative stance on incurring debt, as well as other factors, Virginia is one of the few states to consistently maintain a "triple A" bond rating.

Type of Bonds	Issuance Amount	Amount Paid to Date	Defeased Amount	Balance June 30, 1987
Transportation Facilities Bonds				
Series 1982	$ 57,000,000	$ 500,000	$56,500,000	$ —
Series 1986	78,000,000	—	—	78,000,000
Series 1987A	57,100,000	—	—	57,100,000
Public Facilities Bonds				
Series 1978	125,000,000	52,675,000	—	72,325,000

Statement of Changes in General Long-Term Debt

For the Fiscal Year Ended June 30, 1987
(Dollars in Thousands)

	(Restated) Balance July 1, 1986	Issuances and Other Increases	Retirements and Other Decreases	Balance June 30, 1987
Long-Term Debt Bearing the Pledge of the Full Faith and Credit of the Commonwealth:				
Article X, Sections 9(b) and 9(c) Bonds:				
Public Facilities Bonds, Series 1978	$ 78,900	$ —	$ 6,575	**$ 72,325**
Transportation Facilities Bonds, Series 1982 (Dulles Toll Road)	57,000	—	57,000	**—**
Transportation Facilities Bonds, Series 1986 (Powhite Parkway Extension)	—	78,000	—	**78,000**
Transportation Facilities Bonds, Series 1987A (Dulles Toll Road)	—	57,100	—	**57,100**
Total Sections 9(b) and 9(c) Bonds	135,900	135,100	63,575	**207,425**
Other Long-Term Debt:				
Long-Term Capital Lease Obligations	9,404	—	1,551	**7,853**
Long-Term Portion of the Liability for Compensated Absences	124,503	12,850	—	**137,353**
Insurance Claims Payable	17,789	25,337	17,454	**25,672**
Installment Purchases	—	4,360	—	**4,360**
Total Long-Term Debt Bearing the Pledge of the Full Faith and Credit of the Commonwealth	287,596	177,647	82,580	**382,663**
Long-Term Debt Not Bearing the Pledge of the Full Faith and Credit of the Commonwealth:				
Norfolk-Virginia Beach Toll Revenue Bonds, Series 1965	18,815	—	1,125	**17,690**
Virginia Port Authority Long-Term Debt	57,116	—	6,344	**50,772**
Virginia Port Authority Capital Lease Obligations	2,952	7,224	563	**9,613**
Virginia Public Building Authority Long-Term Debt	103,450	100,755	81,415	**122,790**
Total Long-Term Debt Not Bearing the Pledge of the Full Faith and Credit of the Commonwealth	182,333	107,979	89,447	**200,865**
Total General Long-Term Debt Account Group	$ 469,929	$ 285,626	$ 172,027	**$ 583,528**

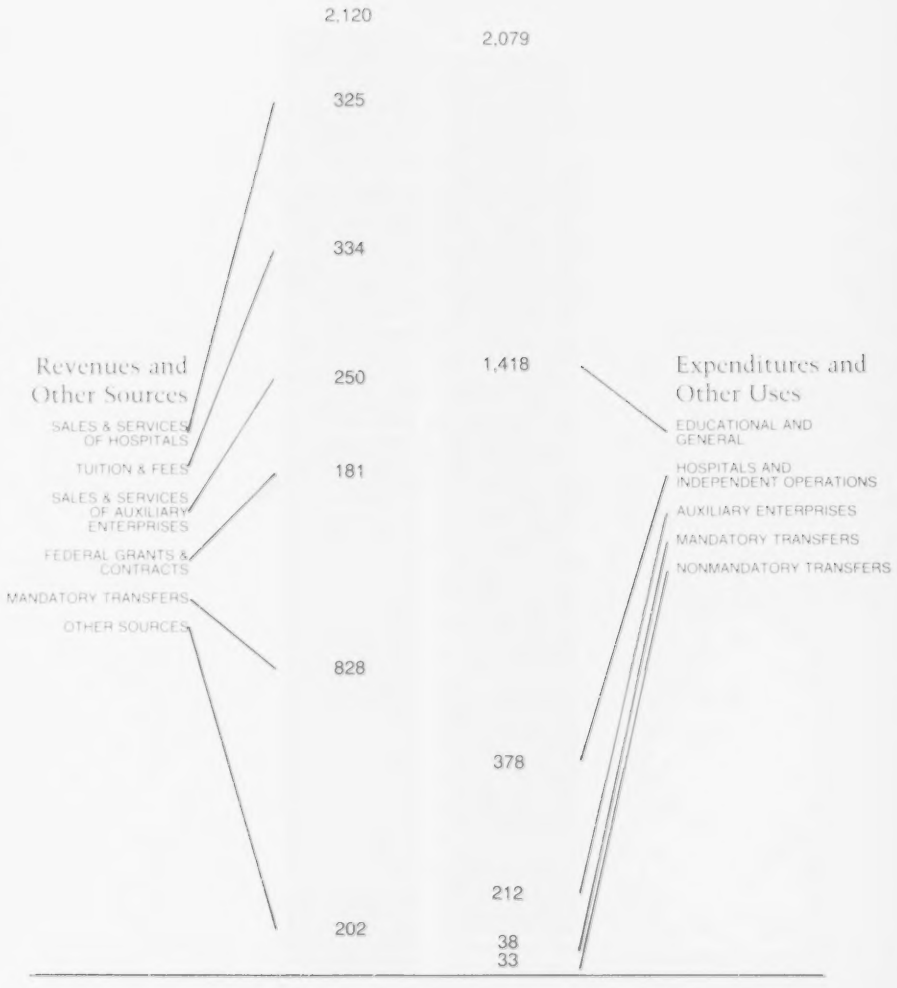
See Notes to the Financial Statements.

Higher Education Fund

Analysis

In 1987, current funds revenues and other sources totaled $2,120 million, composed primarily of transfers from other funds, sales and services of hospitals, student tuition and fees, sales and services of auxiliary enterprises, and federal grants and contracts. Expenditures and other uses, 68% of which was attributable to educational and general expenditures, came to $2,079 million. The net increase in fund balance for the current funds in 1987 was $41 million.

Higher Education
Current Funds
Revenues and Expenditures
Fiscal Year 1987
(DOLLARS IN MILLIONS)



Fifteen four-year State colleges and universities, one two-year college, two medical teaching hospitals, a community college system consisting of 23 two-year colleges, the Virginia Institute of Marine Science, the Virginia College Building Authority, and the Center for Innovative Technology comprise the Higher Education Fund:

Four-year State Colleges and Universities

- Christopher Newport College
- Clinch Valley College
- George Mason University
- James Madison University
- Longwood College
- Mary Washington College
- Norfolk State University
- Old Dominion University
- Radford University
- The College of William and Mary
- University of Virginia
- Virginia Commonwealth University
- Virginia Military Institute
- Virginia Polytechnic Institute and State University
- Virginia State University

Two-year Community Colleges

- Blue Ridge
- Central Virginia
- Dabney S. Lancaster
- Danville
- Eastern Shore
- Germanna
- J. Sargeant Reynolds
- John Tyler
- Lord Fairfax
- Mountain Empire
- New River
- Northern Virginia
- Patrick Henry
- Paul D. Camp
- Piedmont Virginia
- Rappahannock
- Southside Virginia
- Southwest Virginia
- Thomas Nelson
- Tidewater
- Virginia Highlands
- Virginia Western
- Wytheville

Medical Teaching Hospitals

- Virginia Commonwealth University—Medical College of Virginia Hospital Division
- University of Virginia Hospital Division

Two-year College

- Richard Bland College

Virginia Institute of Marine Science

Virginia College Building Authority

Center for Innovative Technology

Combining Balance Sheet
Higher Education Fund

June 30, 1987
(Dollars in Thousands)

	Current Funds	Loan Funds	Endowment and Similar Funds	Plant Funds
Assets				
Cash and Cash Equivalents	$ 238,010	$ 7,471	$ 103,722	$ 283,618
Cash and Investments with Trustees	—	—	—	104,028
Taxes, Loans, Accounts, and Other Receivables (Net)	115,255	54,030	16,224	451
Due from Other Funds	13,598	21	13,653	5,261
Investments	31,135	186	362,251	5,789
Inventory	19,926	—	—	—
Prepaid Expenses	5,099	—	—	—
Other Assets	3,882	5	660	5,469
Property, Plant, and Equipment (Net)	—	—	—	2,498,944
Total Assets	$ 426,905	$ 61,713	$ 496,510	$ 2,903,560
Liabilities and Fund Equity				
Liabilities:				
Accounts Payable	$ 60,809	$ 149	$ —	$ 29,664
Deposits Pending Distribution	10,128	—	18,992	—
Notes Payable	—	—	134	32,133
Other Liabilities	533	—	5	97
Due to Other Funds	16,223	144	8,046	19,831
Deferred Revenue	41,950	—	—	—
Bonds Payable	—	—	10,550	559,714
Capital Lease Obligations	—	—	—	3,017
Accrued Liability for Compensated Absences	60,886	—	—	—
Total Liabilities	190,529	293	37,727	644,456
Fund Equity:				
Unrestricted	135,340	—	—	—
Restricted	101,036	—	—	—
U.S. Government Grants Refundable	—	51,228	—	—
University Funds–Restricted	—	10,192	—	—
Life Income and Annuity	—	—	1,030	—
Endowment	—	—	158,000	—
Quasi-endowment–Unrestricted	—	—	150,034	—
Quasi-endowment–Restricted	—	—	149,719	—
Unexpended	—	—	—	69,602
Renewals and Replacements	—	—	—	3,115
Retirement of Indebtedness	—	—	—	108,633
Net Investment in Plant	—	—	—	2,077,754
Total Fund Equity	236,376	61,420	458,783	2,259,104
Total Liabilities and Fund Equity	$ 426,905	$ 61,713	$ 496,510	$ 2,903,560

See Notes to the Financial Statements.

Agency Funds	Totals (Memorandum Only) June 30, 1987	June 30, 1986
$ 8,653	$ **641,474**	$ 472,006
—	**104,028**	—
—	**185,960**	165,222
8,215	**40,748**	46,487
1,030	**400,391**	426,560
—	**19,926**	18,955
—	**5,099**	4,739
215	**10,231**	42,719
—	**2,498,944**	2,270,097
$ 18,113	$ **3,906,801**	$ 3,446,785
$ —	$ **90,622**	$ 77,978
18,039	**47,159**	32,447
—	**32,267**	18,993
74	**709**	14,907
—	**44,244**	30,403
—	**41,950**	28,416
—	**570,264**	496,699
—	**3,017**	1,948
—	**60,886**	53,627
18,113	**891,118**	755,418
—	**135,340**	108,004
—	**101,036**	87,609
—	**51,228**	49,897
—	**10,192**	9,294
—	**1,030**	1,459
—	**158,000**	140,970
—	**150,034**	127,115
—	**149,719**	127,500
—	**69,602**	67,154
—	**3,115**	4,427
—	**108,633**	82,319
—	**2,077,754**	1,885,619
—	**3,015,683**	2,691,367
$ 18,113	$ **3,906,801**	$ 3,446,785

Combining Statement of Changes in Fund Balances
Higher Education Fund

For the Fiscal Year Ended June 30, 1987
(Dollars in Thousands)

	Current Funds			
	Unrestricted	Restricted	Loan Funds	Endowment and Similar Funds
Revenues and Other Additions:				
Unrestricted Current Funds Revenues	$ 994,324	$ —	$ —	$ —
Federal Appropriations	—	11,342	—	—
Federal Grants and Contracts–Restricted	—	180,890	773	9
State Grants and Contracts–Restricted	—	39,765	—	—
Local Grants and Contracts–Restricted	—	11,460	—	—
Private Gifts, Grants, and Contracts–Restricted	—	62,434	75	7,289
Investment Income	—	5,224	507	401
Endowment Income	—	11,130	71	—
Interest on Loans Receivable	—	—	1,613	—
U.S. Government Advances	—	—	495	—
Expended for Plant Facilities (including $76,861 charged to current funds)	—	—	—	—
Retirement of Indebtedness (including $923 charged to current funds)	—	—	—	—
Realized Gain on Investments	—	12	10	52,340
Unrealized Gain on Investments	—	—	—	803
Other Sources	—	9,475	123	760
Total Revenues and Other Additions	994,324	331,732	3,667	61,602
Expenditures and Other Deductions:				
Educational and General Expenditures	1,129,264	289,012	—	—
Auxiliary Enterprise Expenditures	211,895	308	—	—
Hospital Expenditures	377,592	274	—	—
Independent Operations Expenditures	—	109	—	—
Indirect Costs Recovered	—	33,540	43	—
Refunded to Grantors	—	122	192	—
Loan Cancellations	—	—	1,456	—
Administrative and Collection Costs	—	35	668	—
Expended for Plant Facilities (including non-capitalized expenditures of $7,105)	—	—	—	—
Retirement of Plant Facilities	—	—	—	—
Retirement of Indebtedness	—	—	—	—
Interest on Indebtedness	—	—	—	—
Write-Down of Plant Assets	—	—	—	—
Other	—	426	—	1,038
Total Expenditures and Other Deductions	1,718,751	323,826	2,359	1,038
Transfers Among Funds:				
Mandatory:				
Debt Service and Other (includes Educational and General)	779,955	9,494	591	6
Nonmandatory:				
Debt Service and Other	(5,454)	(540)	(1)	(777)
(To)/From Other Funds	(22,738)	(3,433)	331	1,946
Total Transfers	751,763	5,521	921	1,175
Net Increase (Decrease) for the Year	27,336	13,427	2,229	61,739
Fund Balance, July 1, as adjusted	108,004	87,609	59,191	397,044
Fund Balance, June 30	$ 135,340	$ 101,036	$ 61,420	$ 458,783

See Notes to the Financial Statements.

Plant Funds			
Unexpended	Renewals and Replacements	Retirement of Indebtedness	Investment in Plant
$ —	$ —	$ —	$ —
—	—	—	—
512	66	9	—
—	2,484	—	—
1,160	12	—	—
4,963	—	577	1,709
2,841	60	11,154	—
149	—	—	—
—	—	—	—
—	—	—	—
—	—	—	183,345
—	—	—	24,045
—	—	—	—
—	—	—	—
—	244	1,182	6,692
9,625	2,866	12,922	215,791
—	—	—	—
—	—	—	—
—	—	—	—
—	—	—	—
—	—	—	—
—	—	—	—
—	—	—	—
—	—	1,484	—
109,165	4,424	—	—
—	—	—	15,247
—	—	23,122	—
—	—	37,429	—
—	—	—	2,382
875	62	1,564	5,494
110,040	4,486	63,599	23,123
76,617	71	72,275	—
1,670	12	5,084	6
24,576	225	(368)	(539)
102,863	308	76,991	(533)
2,448	(1,312)	26,314	192,135
67,154	4,427	82,319	1,885,619
$ 69,602	$ 3,115	$ 108,633	$ 2,077,754

Combining Statement of Current Funds Revenues, Expenditures, and Other Changes Higher Education Fund

For the Fiscal Year Ended June 30, 1987

(Dollars in Thousands)

	Current Funds		Totals Year Ended	
	Unrestricted	Restricted	June 30, 1987	June 30, 1986
Revenues:				
Student Tuition and Fees	$ 333,907	$ 13	**$ 333,920**	$ 310,478
Federal Government Appropriations	33	15,629	**15,662**	15,431
Federal Grants and Contracts	30,767	149,858	**180,625**	177,865
State Grants and Contracts	—	40,014	**40,014**	78,233
Local Grants and Contracts	1,256	11,147	**12,403**	11,147
Private Gifts, Grants, and Contracts	5,980	52,227	**58,207**	50,146
Endowment Income	4,931	9,677	**14,608**	14,165
Sales and Services of Educational Departments	10,205	226	**10,431**	10,413
Sales and Services of Auxiliary Enterprises	250,293	—	**250,293**	223,141
Sales and Services of Hospitals	324,776	—	**324,776**	297,367
Sales and Services of Independent Operations	—	109	**109**	100
Sales and Services of Vending Commissions	1,050	—	**1,050**	602
Investment Income	851	216	**1,067**	1,102
Indirect Cost Recovery	22	—	**22**	32
Other Sources	30,253	1,093	**31,346**	33,901
Total Current Revenues	994,324	280,209	**1,274,533**	1,224,123
Expenditures and Mandatory Transfers:				
Educational and General:				
Instruction	571,282	43,175	**614,457**	557,035
Research	41,408	131,991	**173,399**	161,387
Public Service	33,397	25,742	**59,139**	55,724
Academic Support	147,038	6,726	**153,764**	138,667
Student Services	62,373	5,426	**67,799**	62,208
Institutional Support	153,785	5,265	**159,050**	145,842
Operation and Maintenance of Plant	109,609	1,271	**110,880**	99,336
Scholarships and Fellowships	10,372	68,813	**79,185**	79,396
Financial Assistance for Educational and General Services	—	603	**603**	647
Total Educational and General	1,129,264	289,012	**1,418,276**	1,300,242
Mandatory Transfers for Debt Service and Other	120,758	(9,494)	**111,264**	23,238
Total Educational and General Expenditures and Mandatory Transfers	1,250,022	279,518	**1,529,540**	1,323,480
Auxiliary Enterprises:				
Operating Expenditures	211,895	308	**212,203**	198,285
Mandatory Transfers for Debt Service	27,340	—	**27,340**	23,452
Total Auxiliary Enterprise Expenditures and Mandatory Transfers	239,235	308	**239,543**	221,737
Hospitals and Independent Operations:				
Operating Expenditures	377,592	383	**377,975**	351,639
Mandatory Transfers for Debt Service	10,956	—	**10,956**	8,891
Total Hospital and Independent Operations Expenditures and Mandatory Transfers	388,548	383	**388,931**	360,530
Total Expenditures and Mandatory Transfers	1,877,805	280,209	**2,158,014**	1,905,747
Other Transfers and Additions (Deductions):				
Operating Transfers In	939,009	—	**939,009**	728,936
Excess of Restricted Receipts Over Transfers to Revenues	—	17,522	**17,522**	24,408
Refunded to Grantors	—	(122)	**(122)**	(177)
Nonmandatory Transfers	(28,192)	(3,973)	**(32,165)**	(32,649)
Net Increase (Decrease) in Fund Balance	$ 27,336	$ 13,427	**$ 40,763**	$ 38,894

See Notes to the Financial Statements.

Statistical Section

The financial presentations included in this section provide comparisons of economic and social characteristics and financial trends over a ten-year period. The statistical data presented is intended to give users of the financial statements, as well as the investment community, a better historical perspective to and assessment of the current financial status and trends of the Commonwealth.

*****Statistical schedules related to property taxes are not presented since the Commonwealth does not assess property taxes.

Ten-Year Schedule of Revenues—Cash Basis
All Funds[1] by Source

(Dollars in Millions)

	Fiscal Year Ended June 30,									
	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978
Tax Revenues:										
Individual and Fiduciary Income	$2,445.8	$2,174.3	$1,948.2	$1,770.7	$1,552.1	$1,446.1	$1,288.8	$1,103.0	$ 966.6	$ 874.8
Sales and Use	1,105.7	1,023.0	930.6	835.5	723.7	670.5	645.2	594.9	534.7	489.2
Motor Fuels	436.1	311.6	331.5	326.9	310.6	314.6	311.4	279.9	292.1	275.0
Corporation Income	318.8	280.8	287.7	242.7	183.2	177.0	182.3	193.8	196.2	164.8
Public Service Corporations	145.5	135.0	138.4	121.5	118.5	105.6	104.1	105.3	96.4	106.4
Payroll—Unemployment Compensation	171.4	213.0	281.3	280.0	199.0	172.9	141.7	107.8	95.2	88.9
Motor Vehicle Sales and Use	281.4	151.9	132.2	116.5	88.0	73.3	67.7	64.3	72.3	68.9
Gross Premiums of Insurance Companies	158.5	131.2	108.6	97.0	87.1	84.4	80.1	76.5	73.3	65.2
Alcoholic Beverage—Sales Tax	57.4	61.8	57.4	55.7	44.8	45.5	42.6	39.7	36.7	34.4
Deeds, Contracts, Wills, and Suits	105.2	76.6	59.8	54.6	37.6	29.0	31.8	30.6	32.9	29.8
Beer and Beverage Excise	37.8	35.8	35.3	34.9	33.7	33.1	32.8	31.5	31.3	29.6
Estate	32.8	19.9	28.1	26.3	17.8	21.4	19.5	26.5	25.3	23.1
Tobacco Products	17.1	17.2	16.9	17.1	17.5	17.8	17.9	17.3	17.5	17.9
Capital Not Otherwise Taxed	.2	—	(.2)	11.1	11.7	15.1	13.4	13.1	10.9	10.6
Bank Stock	3.8	2.9	2.6	2.4	2.3	2.6	1.8	2.0	2.8	3.1
Wine and Spirits/ABC Liter	4.8	3.2	3.4	3.2	3.8	3.0	3.7	3.7	3.8	3.1
Gifts—Resident and Nonresident	—	—	.1	.1	.1	.4	.3	.8	1.0	1.1
Other Taxes	67.8	108.8	112.4	103.2	99.8	26.6	21.4	15.7	19.0	27.6
Total Tax Revenues	5,390.1	4,747.0	4,474.3	4,099.4	3,531.3	3,238.9	3,006.5	2,706.4	2,508.0	2,313.5
Other Revenues:										
Federal and Other Grants, Donations, and Federal Revenue Sharing	1,676.0	1,680.9	1,421.7	1,336.1	1,240.4	1,244.0	1,443.5	1,326.8	1,167.7	1,108.1
Institutional Revenue	1,165.7	1,048.3	933.8	856.5	734.7	669.7	589.0	511.9	438.2	408.6
Sales of Property and Commodities	346.1	259.8	250.0	250.1	261.5	258.0	247.2	235.0	217.8	233.6
Rights and Privileges	423.0	334.1	306.2	276.1	255.2	201.3	199.4	178.3	182.3	168.7
Interest, Dividends, and Rents	153.3	148.7	131.2	86.2	94.2	117.5	97.0	91.8	70.1	122.8
Fines, Forfeitures, Costs, Penalties, and Escheats	65.8	60.1	55.3	49.8	47.2	37.6	33.7	26.1	29.9	25.7
Assessments—Special Services	27.8	23.0	16.0	14.3	15.3	17.6	12.0	11.7	9.5	11.2
Other Revenues	235.6	188.3	161.6	146.6	123.7	134.5	173.5	125.9	156.3	76.2
Total Other Revenues	4,093.3	3,743.2	3,275.8	3,015.7	2,772.2	2,680.2	2,795.3	2,507.5	2,271.8	2,154.9
Total Revenues	$9,483.4	$8,490.2	$7,750.1	$7,115.1	$6,303.5	$5,919.1	$5,801.8	$5,213.9	$4,779.8	$4,468.4

[1] Includes all Governmental, Proprietary, and Higher Education Funds.
Source: Department of Accounts

Ten-Year Schedule of Expenditures—Cash Basis All Funds[1] by Function and Object

(Dollars in Millions)

	Fiscal Year Ended June 30,									
	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978
Expenditures by Function:										
Education	$3,255.6	$2,961.1	$2,632.6	$2,356.7	$2,170.2	$2,048.9	$1,916.3	$1,722.0	$1,602.5	$1,594.8
Administration of Justice	692.0	626.3	548.5	502.0	480.7	429.7	338.9	266.9	234.7	186.4
Individual and Family Services	2,572.7	2,387.0	2,191.3	2,058.0	2,043.9	1,991.6	1,853.0	1,594.4	1,372.8	856.2
Resources and Economic Development	267.4	223.6	199.7	173.6	165.2	156.0	144.5	125.9	114.1	297.8
Transportation	1,494.2	1,330.7	1,064.0	903.0	830.0	732.0	924.1	936.5	936.0	165.8
General Government	349.1	295.5	268.7	232.4	229.9	283.5	289.6	217.2	173.2	148.5
Enterprises	576.1	507.9	485.3	452.9	432.3	306.0	284.5	254.9	240.8	173.0
Capital Projects	198.3	170.0	145.8	170.6	177.7	147.7	157.9	146.3	108.9	673.3
Other	—	—	—	—	—	—	—	—	—	240.9
Total Expenditures	$9,405.4	$8,502.1	$7,535.9	$6,849.2	$6,529.9	$6,095.4	$5,908.8	$5,264.1	$4,783.0	$4,336.7
Expenditures by Object:										
Personal Services	$2,738.9	$2,473.0	$2,263.9	$2,033.5	$1,941.4	$1,911.2	$1,727.7	$1,623.3	$1,514.8	$1,468.6
Medical and Other Contractual Services	1,440.2	1,296.7	1,148.4	1,066.0	954.5	1,060.9	930.0	830.2	735.7	709.6
Supplies and Materials	523.4	538.0	522.8	495.0	477.5	527.9	522.6	473.6	419.8	386.5
Grants and Distributions to Localities	3,467.3	3,058.2	2,704.9	2,476.9	2,406.3	1,922.7	1,916.5	1,557.5	1,401.4	1,209.8
Debt Service	62.7	60.8	62.4	37.2	46.4	54.9	51.7	45.4	39.7	—
Rent, Insurance, and Other Related Charges	245.3	236.5	196.8	181.6	174.5	111.5	108.4	102.3	97.2	221.8
Recoveries	—	—	—	—	—	(163.8)	(142.5)	(135.7)	(114.8)	(131.8)
Land, Equipment, and Other Fixed Assets	943.7	846.7	651.7	561.8	539.6	448.4	607.8	643.3	588.3	472.2
Trust Fund Expenditures	—	—	—	—	—	214.4	182.0	122.0	94.9	—
Other	(16.1)	(7.8)	(15.0)	(2.8)	(10.3)	7.3	4.6	2.2	6.0	—
Total Expenditures	$9,405.4	$8,502.1	$7,535.9	$6,849.2	$6,529.9	$6,095.4	$5,908.8	$5,264.1	$4,783.0	$4,336.7

Programmatic budgeting was implemented on July 1, 1978, causing a realignment of expenditure classifications from previous years. As of July, 1982, recoveries no longer have their own object code. They are now included in each of the expenditure categories. Likewise, the Trust Fund Expenditures are now combined with Rent, Insurance, and Other Related Charges.

[1] Includes all Governmental, Proprietary, and Higher Education Funds.

Source: Department of Accounts

Computation of Legal Debt Limit and Margin

June 30, 1987

	Fiscal Year Ended June 30,		
	1987	1986	1985
Computation of Legal Debt Limit			
Taxes on Income and Retail Sales:			
Individual and Fiduciary Income Tax	$2,445,816,992	$2,174,271,339	$1,948,199,184
Corporate Income Tax	318,757,109	280,767,523	287,746,546
State Sales and Use Tax	1,105,717,625	1,023,048,043	930,597,436
Total	$3,870,291,726	$3,478,086,905	$3,166,543,166
Average for the three fiscal years		$3,504,973,932	
Debt Limit (1.15 times this average)		$4,030,720,022	
State General Obligation Debt for Capital Projects			
Debt Limit		$4,030,720,022	
Bonds Outstanding:*			
Public Facilities Bonds—Series 1978		72,325,000	
Debt Margin (remaining borrowing limit subject to additional borrowing restriction below)		$3,958,395,022	
Additional Borrowing Restriction:			
Special Authorization Limit—25% of $4,030,720,022		$1,007,680,006	
Total Special Authorization Limit (amount that could be authorized by the General Assembly in the 1988 Session)		$1,007,680,006	
State Debt for Certain Revenue-Producing Capital Projects			
Debt Limit		$4,030,720,022	
Bonds Outstanding:*			
Higher Educational Institutions Bonds—Series 1971	$ 8,600,000		
Higher Educational Institutions Bonds—Series 1973	7,795,000		
Higher Educational Institutions Bonds—Series 1976	11,330,000		
Higher Educational Institutions Bonds—Series 1979	11,275,000		
Higher Educational Institutions Bonds—Series 1981	4,262,000		
Higher Educational Institutions Bonds—Series 1982	10,890,000		
Higher Educational institutions Bonds—Series 1983	61,270,000		
Higher Educational Institutions Bonds—Series 1984	29,760,000		
Higher Educational Institutions Bonds—Series 1985	23,590,000		
Higher Educational Institutions Bonds—Series 1986	39,565,000		
Transportation Facilities Bonds—Series 1986	78,000,000		
Transportation Facilities Bonds—Series 1987A	57,100,000	343,437,000	
Debt Margin (remaining borrowing limit)		$3,687,283,022	

* Bonds included on this schedule are only those which are backed by the full faith and credit of the Commonwealth.

Source: Department of Accounts

Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total Expenditures All Governmental Fund Types

Last Seven Fiscal Years[1]

(Dollars in Thousands Except Ratio Data)

For the Fiscal Year Ended June 30,	Debt Service[2]	Total Expenditures[3]	Ratio
1987	$54,755	$6,749,128	.81
1986	60,976	6,248,189	.98
1985	93,539	5,531,463	1.69
1984	54,933	5,012,860	1.10
1983	65,647	4,580,447	1.43
1982	36,689	4,223,735	.87
1981	25,441	4,238,159	.60

(1) Information is not available prior to 1981.
(2) Includes principal and interest payments related to General Long-Term Debt.
(3) Includes General, Special Revenue, and Capital Projects Funds only.

Source: Department of Accounts

Schedule of Revenue Bond Coverage
General Long-Term Debt

Last Ten Fiscal Years

(Dollars in Thousands Except Coverage)

For the Fiscal Year Ended June 30,	Total Receipts[1]	Authorized Payments[1]	Net Available for Debt Service	Debt Service Requirements	Coverage[2]
1987	$19,704	$ 2,793	$16,911	$ 8,878	1.90
1986	23,533	8,900	14,633	5,183	2.82
1985	25,099	12,962	12,137	5,183	2.34
1984	24,067	13,066	11,001	7,416	1.48
1983	22,116	10,647	11,469	4,824	2.38
1982	22,311	9,878	12,433	11,094	1.12
1981	21,325	7,667	13,658	10,413	1.31
1980	19,662	10,337	9,325	12,034	.77
1979	20,817	9,052	11,765	12,450	.94
1978	19,281	5,239	14,042	12,180	1.15

(1) Represents actual trust fund receipts and disbursements securing the applicable bonds.
(2) Ideally, the coverage number would be 1.0 or higher. The weighted average for the years 1978 to 1987 is 1.42.

Sources: Department of the Treasury
Statement of the Treasurer's Accountability

Schedule of Revenue Bond Coverage
Higher Education Long-Term Debt

Last Three Fiscal Years[1]

(Dollars in Thousands Except Coverage)

For the Fiscal Year Ended June 30,	Unrestricted Current Funds Beginning Balance	Unrestricted Current Funds Operating Revenues	Unrestricted Current Funds Expenditures and Transfers	Net Available for Debt Service	Debt Service Requirements	Coverage
1987	$108,004	$994,324	$966,988	$135,340	$24,662	5.49
1986	84,726	952,462	929,184	108,004	20,368	5.30
1985	83,090	891,392	895,036	79,446	18,200	4.37

(1) Information is not available prior to 1985.

Sources: Department of Accounts
Department of the Treasury

Schedule of Bank Deposits

Last Ten Years
(Dollars in Millions)

For the Year Ended December 31,	Bank Deposits[1]
1987	NA
1986	$37,577
1985	34,757
1984	30,223
1983	27,100
1982	24,344
1981	21,704
1980	19,540
1979	18,757
1978	17,755

(1) Includes only amounts deposited in insured commercial banks by corporations, governments, and individuals.
NA–Not available at this date.

Source: Federal Deposit Insurance Corporation

Eleven Largest Nonagricultural Industries

June 30, 1987

(Ranked by Average Number of Employees)

Industry	Average Number of Employees
Wholesale and Retail Trade	580,200
Services	579,000
Local Government	229,200
Manufacture of Nondurable Goods	223,100
Manufacture of Durable Goods	201,100
Construction	168,100
Federal Government	168,000
Transportation and Public Utilities	137,300
Financial, Insurance, and Real Estate	130,800
State Government	123,800
Mining	16,400

Source: Virginia Employment Commission (1986 data)

Schedule of Demographic Statistics

Last Ten Fiscal Years

Fiscal Year	Population (In Thousands)	Per Capita Income	Public Primary and Secondary School Enrollment	Unemployment Rate
1987	5,948	$15,789	974,754	4.8%
1986	5,787	14,939	968,104	5.5
1985	5,706	14,089	965,222	5.2
1984	5,636	13,007	966,110	5.1
1983	5,556	12,039	975,727	7.3
1982	5,485	11,319	989,548	6.9
1981	5,436	10,400	1,010,371	5.7
1980	5,347	9,337	1,031,403	4.7
1979	5,325	8,355	1,055,238	5.0
1978	5,284	7,509	1,082,184	5.2

Sources: U.S. Department of Commerce, Bureau of the Census
Center for Public Service
Department of Taxation
Department of Education
Virginia Employment Commission
Department of Planning and Budget

Schedule of Miscellaneous Statistics

June 30, 1987

Adoption of Virginia Constitution	1776
Form of Government	Legislative, Executive, Judicial
Land area (square miles)	40,817
Miles of State Highways	62,752
State Police Protection:	
Number of Stations	59
Number of State Police	1,428
Higher Education (Universities, Colleges, and Community Colleges):	
Number of Separate Institutions	39
Number of Educators	8,248
Number of Students	265,705
Recreation:	
Number of State Parks	36
Area of State Parks (acres)	53,344
Area of State Forests (acres)	50,275
Classified State Employees	86,580

Sources: Virginia State Library
Department of Transportation
Department of State Police
State Council of Higher Education
Division of Parks and Recreation
Division of Forestry
Department of Personnel and Training

Governor Gerald L. Baliles presents a replica of a Share of Stock in The Virginia Companie to Shinichiro Nagashima, President of Canon Virginia, Inc. The Share hangs in the new facility to represent Canon's investment in Virginia and Virginia's commitment to help the company succeed.

VIRGINIA DEPARTMENT OF ECONOMIC DEVELOPMENT